OVERSIGHT ON FEDERAL NUTRITION PROGRAMS

HEARINGS
BEFORE THE
SUBCOMMITTEE ON NUTRITION
OF THE
COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY
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OVERSIGHT ON FEDERAL NUTRITION PROGRAMS

MONDAY, FEBRUARY 22, 1982

U.S. Senate,
Subcommittee on Nutrition,
Committee on Agriculture, Nutrition, and Forestry,
Washington, D.C.

The subcommittee met at 10:12 a.m., in room 324, Russell Senate Office Building, Hon. Robert Dole (chairman of the subcommittee) presiding.

Present: Senators Dole, Hayakawa, and Leahy.

Also present: Senator Helms.

STATEMENT OF HON. BOB DOLE, A U.S. SENATOR FROM KANSAS

Senator **Dole**. I think while Senator Leahy is on the way I can go ahead and make a brief statement and it will appear in the record. Then we have a number of witnesses, and I might suggest that we certainly want to take all the time necessary but we are going to have to move along fairly quickly to finish today and tomorrow.

We just started, Pat, good timing.

Senator **Leahy**. Mr. Chairman.

Senator **Dole**. I certainly want to thank Senator Leahy and others I think who will be coming in and out. I understand Senator Helms will be here for part of the hearing and I know that other Members will be coming and going.

The Federal nutrition programs are of great interest—they are valuable programs, in which I have had a longstanding interest and so does Senator Leahy. And I commend him for his efforts last year and his willingness to proceed this year. It will be a different year, because I am not certain that we have as much latitude in cutting the food stamp program as we may have had last year. But I can speak only as one member of the subcommittee and one member of the full committee. I think we have an obligation to look closely at the program to see whether or not the cuts last year have had an adverse impact on any people who should not have been impacted and whether we can proceed with additional cuts without disruptions—primarily, as I view them, without eliminating people from the food stamp program, who may be on the fringes of the so-called working poor. It would be a tragedy if we encourage people to leave their jobs and push them onto total welfare. I think this is an area that we have to watch very, very closely to make sure that the administration fully understands it in all its implications.

It is going to be a difficult task. I think if we net out the program, we are asked to cut about $2.3 billion in fiscal year 1983. We are going to have a number of witnesses here today who may agree or disagree on whether or not that can be done. And I would also suggest it would be helpful to us, rather than just have people come up and condemn the changes or condemn what has happened in the past, if people have some constructive ways where we can reduce spending. I think our witnesses have an obligation to present those ideas as well. It does not take much to criticize what may be going on. Constructive ideas would be very helpful to us in our deliberations because we are going to have to come to grips with these issues. If in fact changes are made, we would hope that they are based on testimony received, and I would guess most witnesses, if they have their way, would say we want to add money to the program and not take it away. But with the deficits we are facing, I am not sure that we have this luxury.

I would also make a part of the record the following information: the chairman has scheduled additional hearings with regard to New Federalism on food stamps, WIC and other programs on April 19 and 20, and also full committee hearings on March 29, concerning reauthorization of the food stamp program for fiscal year 1983. I understand those first dates, April 19 and 20, are tentative, based on submissions of the legislative body at that time. I think the information would be important to those who have reason to want to be prepared in advance.

I want to make it a part of the record at the outset—maybe that will be done by Miss Jarratt—the areas where changes were made last year: The dollar amounts of savings along with the recommendations that the administration makes this year. The record should begin showing what happened last year and then show what is proposed this year.[1]

Senator Leahy, do you have a statement?

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

Senator **Leahy**. I do, Mr. Chairman, and I would ask first off, consent to put my full statement in the record with attachments.[2]

Mr. Chairman, I would like to salute you for the outstanding leadership that you have provided in the area of food and nutrition programs long before I was in the Senate. You have provided intelligent and humane stewardship in these programs. You have always worked to insure that our Nation's neediest citizens, particularly the children, handicapped, and elderly, are protected from hunger even when the politics of the moment made that an unpopular cause in both administrations.

Last year, when the sentiment for large cutbacks in these programs could not be sidetracked you introduced alternative proposals that achieved savings without exacting as much in human costs as other proposals before the Congress. It has been an honor and pleasure to work with you on this and we will have to carry through the bipartisan spirit of approaching the problems of hunger and malnutrition. And like my predecessors on this side of the aisle: Senators McGovern and Humphrey, I look forward to a continuing partnership upon that.

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[1] See p. 147 for the above-referred-to material.

[2] See p. 152 for the prepared statement and additional material submitted by Senator Leahy.

I want to join in welcoming Miss Jarratt to testify for the administration. I do not envy her position.

Most of us are aware that this budget was not formulated in the normal manner. It was formulated to meet hard and cold targets established by the Office of Management and Budget. USDA was left with the chore of deciding whose, not whether, benefits should be cut. I do not think there is an awful lot left to be cut in these programs. Almost $4 billion in food and nutrition reductions was enacted last year. This is about 10 percent of all reductions enacted last year in the entire budget. It should come as no surprise to anyone that the administration's attempt to cut over $3 billion more this year would have devastating effects on needy Americans across the country.

In the area of WIC the administration once again seeks a huge funding reduction. Last year the President's efforts to cut WIC were repeatedly rebuffed by large bipartisan majorities in the Congress. I am hopeful that this year's proposal to cut WIC by over $350 million, or 37 percent, will meet a similar fate.

I have spoken out already on the cuts of food stamps and my feelings on that. I am glad to see that there are not proposals to cut school lunch or make school lunch reductions but while I applaud the decision on school lunch, the budget proposals on breakfast and child care are abysmal. These programs would be combined into what appears to me as an ill-conceived block grant, with a one-third funding reduction. This is on top of large reductions enacted last year.

Similarly, the administration now seeks to eliminate the remainder of the special milk program. Last year Congress followed the President's wishes exactly, eliminating over 80 percent of the program.

Now, the administration wants more. Since the special milk program now exists only in schools without a lunch program, the President's proposal would eliminate the only subsidized meal program those schools have and 200,000 or more poor children would no longer receive free milk at school.

Each one of these points will be brought out further during the hearings, Mr. Chairman. I apologize for being late this morning. I first had some matters at school with my own children. Back home you engage in skiing and engage in slalom skiing. Down here you have to do it with potholes. It is an interesting thing. It is like the Grand Prix of the District of Columbia. One of these days—and I applaud the District though in keeping the novelty of this by constantly rearranging the potholes.

Thank you, Mr. Chairman.

Senator Dole. There may be a few members missing this morning because of potholes. They are digging a big one out in the street here. It is going to be a miracle. Potholes are not a Federal responsibility any more. [Laughter.]

So Mary, do you have some bodyguards with you?

STATEMENT OF HON. MARY JARRATT, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES, ACCOMPANIED BY GENE P. DICKEY, ACTING ADMINISTRATOR, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Ms. JARRATT. Thank you, Senator. It is an honor to be here to present the administration's proposal. Senator Leahy, I am glad to have this opportunity.

I have a short statement which I would like to go through and then the two of you had requested that the Department provide an analysis to a number of questions.[1]

I am accompanied by Gene P. Dickey, the Acting Administrator of the Food and Nutrition Service.

I would like to emphasize at the outset that the Federal Government will continue to make available under this proposal $14.5 billion to support various health and nutrition programs and will subsidize nearly 95 million meals daily.

Approximately three-quarters of the budgetary reductions, $2.3 billion, are associated with increased targeting and management improvement of the Federal food stamp program. The remaining savings are associated with the broader federalism budget theme, including program consolidation and increased State responsibility in setting health and nutrition priorities.

The proposed changes in food assistance programs should be viewed in the context of uncontrolled growth in a wide array of entitlement of automatic spending programs. The growth of entitlement programs has far outstripped increases in the basic indicators of need.

For example, food stamp spending per participant has grown by 18 percent between 1975 and 1981, even after taking into account increased food prices. All of the entitlement programs have been carefully scrutinized and proposals have been made to bring these programs under control.

The Federal food stamp program is a prime example of the growth of the Federal budget over the last decade. Starting as a small pilot project to replace the cumbersome food distribution program in the late sixties the program grew from costing less than $1 billion in 1970 to an estimated $11.6 billion in the current fiscal year. Even after correcting for inflation, the program has grown at a real rate of nearly 16 percent per year. Participation in the program has also exploded, increasing from less than 7 million people in 1970 to over 22 million people today.

The basic thrust of the administration's 1982 and 1983 budget proposals has been to slow this rate of program growth, to simplify program administration and to target program benefits on those most in need. Also implicit in these budget proposals is the basic recognition that the program has long passed its role as a food assistance program, and now represents one major form of Federal income supplementation. With this recognition, programmatic changes designed to take into consideration all sources of income available to a household when applying for benefits is justified. Further, the 1983 budget proposals represent a transition year to

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[1] See p. 21 for answers to questions from Senators Dole and Leaky.

1984, when the overall responsibility for income assistance to nonaged individuals is returned to the States.

The budget proposes to make several changes in the food stamp program that will result in about $2.3 billion savings in fiscal year 1983. Certain of these changes would be effective July 1, 1982, and save about $273 million in program costs during the final quarter of fiscal year 1982. The new proposals include the following:

Increase the benefit reduction rate from 30 to 35 percent effective July 1, 1982. Currently, the benefit to which a household is entitled is reduced 30 cents for every $1 of household income—$227 million savings in 1982 and $978 million in 1983.

Eliminate the $10 minimum benefit for all participants, effective July 1, 1982. If however the application of the 35-percent reduction reduces the benefit below $10, the participant would then receive the actual benefit—$32 million savings in 1982 and $138 million savings in 1983.

Repeal the earnings deduction, effective July 1, 1982. Currently, 18 percent of all earned income can be excluded from the calculation of household income—$140 million savings in 1982, and $606 million savings in 1983.

Revise the rounding rules to round down the calculations of the thrifty food plan, deductions, and individual household allotments—$10 million savings in 1982 and $117 million in 1983.

Include all energy assistance payments as income to the household when determining eligibility for food stamps, whether the payments are made directly to households or to vendors on behalf of the household—$231 million savings in 1983.

Require job search at the time of application, $15 million savings in 1983.

Reduce error rate to 3 percent, $615 million savings in 1983.

The effect of these new proposals interacting with the provisions of the 1981 Reconciliation Act and with the new proposals for aid to families with dependent children—AFDC—and supplemental security income—SSI—may increase food stamp costs by $136 million in 1982 and $530 million in 1983.

We did propose a consolidated grant for State administration which will include, in addition to food stamp costs, the administrative expenses associated with medicaid and AFDC. This new grant approach will save $43.3 million in food stamp costs in 1983.

Turning over responsibility for work requirements and job search activities to the States, $80.3 million savings in 1983, a reduction of $65 million from the 1982 level.

Total savings in the budget request are $273 million in 1982 and $2,293.6 million in 1983.

Federal child nutrition programs have grown over the past decade into a proliferation of 10 different programs with 37 different reimbursement schemes serving more than 26 million children. These programs typify the concerns raised recently in a report by the Advisory Commission on Intergovernmental Relations, ACIR. ACIR concludes that State and local governments have become increasingly dependent on the Federal Government. This dependence has curtailed administrative discretion because of a wide array of specific Federal programmatic and procedural requirements.

The administration's fiscal year 1983 child nutrition proposals are the beginning of a New Federalism system designed to reestablish the balance of decisionmaking in our tripartite system of governance. The proposals consolidate a number of small categorical programs. The school lunch program, the largest at $2.3 billion, is maintained with no reduction in Federal support. Thus, total funding for the basic child nutrition programs remains unchanged from the 1982 funding level of $2.8 billion.

The nutrition program for women, infants, and children is similarly returned to the States through its combination with the maternal and child health services block grant. Funding for this grant will be $1 billion.

The determination of appropriate comprehensive health and nutrition services for low-income pregnant mothers and their infants will be the responsibility of health clinics and qualified health personnel.

The fiscal year 1983 budget request for the child nutrition programs, including special milk, reflects a $358 million reduction below the current services level as a result of the following legislative proposals.

First. Elimination of the Department of Defense overseas schools from participation in the programs—$1.1 million savings in fiscal year 1983.

Second. Transfer of the funding for program operations in Guam, the Commonwealth of the Northern Mariana Islands, American Samoa, and the Virgin Islands to a block grant that will give each of the territories broad flexibility to fashion food assistance programs that serve the special needs of their residents—$11.7 million reduction in costs of the child nutrition programs in fiscal year 1983.

Third. Institution of a general nutrition assistance grant in place of the school breakfast and child care food programs. This will allow the States greater flexibility to set up their own priorities in providing food assistance to children—$246.4 million savings in fiscal year 1983.

Fourth. Elimination of the summer food services program—$63 million savings in fiscal year 1983.

Fifth. Lowering of State administative expenses to reflect the institution of the grant for general nutrition assistance and the elimination of the special milk program—$11.6 million savings in fiscal year 1983, excluding $0.7 million cost reduction resulting from the territorial grant proposal.

Sixth. Elimination of the special milk program—$24 million in savings in fiscal year 1983.

The changes represented in this budget reflect several primary objectives which we believe are necessary to the future well-being of the Nation. First, the effectiveness of State and local governments will be enhanced by giving them greater control over services as well as control over the resources needed to pay for them. Second, the reform of entitlement programs to correspond with basic indicators of need and cost will be advanced. Greater latitude given to the States will create opportunities for the reduction of inequities, the elimination of overlapping and excessive benefits, the retargeting of resources to those most in need, and the creation of incentives and requirements to promote more efficient program administration. Third, the reduction of inappropriate discretionary spending will be achieved, contributing to a firmer and more judicious control over Federal expenditures. We believe that these objectives are immensely important. And we believe that other people may have different ideas on how to achieve budgetary savings. Regarding the Department's proposals, while we recognize they will generate much discussion, I think they do represent a good plan to achieve a reduction where it is needed and still protect those who are less able to help themselves.

I would be most happy to answer any questions.

Senator DOLE. Thank you. Your entire statement will be made a part of the record.

I think first we should also make a part of the record the questions that Senator Leahy and I addressed to you in a letter to which you have now provided the answers. And there may be further questions on those. I think as a matter of form we will include the written responses to the questions following your statement.[1]

I guess the principal question, is whether we can find a total of $2.3 billion in savings for the food stamp program. I assume the administration is not particularly wed to these specific proposals.

In other words, if we are going to save any money, we may not even agree with what has been recommended. We did not totally agree with the administration last year. I do not see how we are going to achieve this kind of savings, frankly, but, if we do anything, I assume it is going to be compromised with some of the administration's suggestions. I hope there is some flexibility, though, otherwise we will not be able to accomplish much of anything.

Ms. JARRATT. Yes, sir. Secretary Block testified last Thursday at the House Agriculture Committee and indicated, while we are very much committed to the dollar reduction, that we would be willing to work with the Congress, of course, to come up with any opportunities and we recognize this is not the only way to achieve them.

Senator DOLE. Is it fair to ask whether these are your recommendations or OMB's recommendations? Are these recommendations made by the Food and Nutrition Service, after studying the impact of last year's cuts, or are they in fact recommendations made by the Office of Management and Budget, in which you had no choice except to appeal?

Ms. JARRATT. Senator, it is a combination. Certainly the child nutrition proposal reflects the Department's recommendations. We had some of the provisions that are currently embodied in the food stamp provision but the benefits reduction was at a lower percentage. We get a State match requirement.

Senator DOLE. Did you appeal any of these during the budget process? Did you have any success in the so-called appeals procedure?

Ms. JARRATT. We did with the child nutrition.

Senator DOLE. Not with the food stamp program?

Ms. JARRATT. No.

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[1] See p. 21.

Senator DOLE. Was there any appeal made in any of the food stamp areas?

Ms. JARRATT. There was discussion in the appeal process, but I do not believe any provision was changed.

Senator DOLE. There are a number of areas that concern various members of the committee, and I do not feel that we can save $2.3 billion or more. I would guess there are as many views as there are members of the committee, but an area that concerns me is the impact on the working poor. I believe you would eliminate the earned income disregard altogether. It seems to me this defeats the very purpose of what I consider good policy. In other words, if people are willing to go out and work, we should not take that little foundation from them, whatever it might be, in the food stamp program and make it more profitable not to work. In addition to the feeling of having a job, I do not really believe that people relish the thought of being in the food stamp program. There may be some who have never known anything else but many people are embarrassed—many people want to work. Obviously, more people are using the food stamp program now because there are a lot of people out of work. They do not have a job—they do not have any other choice.

I would guess that a great many people would happily leave the food stamp program if they could find a good job. We have some borderline cases where they may never be able to make enough without some help, Federal help, and I would rather see us maintain this threshold—not just push a load into the welfare program. Do I understand this differently than the people in the Department?

Ms. JARRATT. No, sir, I do not think you understand it differently. It is a sensitive issue in the package.

I think a family that is making only $7,000 a year, would prefer to have the opportunity for a job than continue on the program.

Senator DOLE. This is an area that we really need to focus on. There has also been a recent CBO and, I think, USDA evaluation indicating that the administration's food stamp proposals would result in significant reductions across the board, and particularly about 87 percent of elderly households would have their benefits reduced about $16 a month.

Again, I know you do a lot with averages and figures. Some people jump at any reduction to anybody who might be so classified as "elderly." Have you reviewed the CBO estimates and found any fault with——

Ms. JARRATT. No, sir, I have not seen the CBO's estimates.

Senator DOLE. Are they available?

Ms. JARRATT. My staff says they pretty much parallel our data.

Senator DOLE. So there is no big dispute there?

Ms. JARRATT. No.

Senator DOLE. So the statement that they do impact on 87 percent is probably not unfair, is this an accurate statement?

Ms. JARRATT. Yes.

Senator DOLE. I guess the only rationale is that there is nothing to say unless they impact somebody?

Ms. JARRATT. If they happen to be higher income.

Senator DOLE. What percent of this comes through the elderly food stamp program?

Ms. JARRATT. A little bit less than a quarter of the cases.

Senator DOLE. Less than 25 percent?

Ms. JARRATT. Yes.

Senator DOLE. Have you thought of any others? Again, I know there is the official position, but, in your own role, in your own experience on the House side, have you taken a look at any other areas that you might want to unofficially recommend to the committee where we might find savings?

Ms. JARRATT. Well, Senator, many details of the New Federalism are still being worked out, but obviously we are talking about the administration proposing more responsibility to the States in programs of this kind. I think some assumption of State responsibility with a benefit cost may be combined with error rate, the acceptable tolerance level might be something that we might want to consider. If you propose that the State share 10 percent of whatever, an error rate for example, or from a more positive approach, indicating better management might result in States sharing 10 percent of that benefit. Correspondingly, if a State's error rate is above a certain percentage the return would be less.

Senator DOLE. But it is a shifting of the cost to the States?

Ms. JARRATT. Yes.

Senator DOLE. All the Governors in town now are complaining about all the problems, all the extra burdens that they have because they are trying to reduce the taxpayers' burden in this country. Some of these taxpayers live in their States, but to listen to the Governors you would think it was coming from Ronald Reagan's pocket. It is not his money, it belongs to taxpayers who live in all of these States. I know that it puts the burden on him when some of these programs are reduced; that, in effect, is what would reduce the error rate to 3 percent. You are in effect shifting some of the cost to the States—about $600 million?

Ms. JARRATT. Yes.

Senator DOLE. I know Senator Leahy has a question.

Senator LEAHY. Thank you, Mr. Chairman.

Incidentally, talking about that last question, where are all the States getting all the revenues?

Ms. JARRATT. Well, in the New Federalism, transferring some of the excise tax to the States.

Senator LEAHY. Which runs out after a few years.

Ms. JARRATT. Yes.

Senator LEAHY. So the States then would have the benefit of zero excise tax while having all the responsibility for these programs and they would have to pick up the money for them.

Do you envision that as being—without this question sounding at all parochial, I just take as a hypothetical State, of say half a million people, where the winters go down to 30 below zero, a State that might be in the bottom half dozen in income and, given this and the administrative costs and everything else, do you envision that perhaps, to use a technical term, New Federalism may give it the short end of the stick?

Ms. JARRATT. I think a lot depends on the mechanics proposed, Senator.

Senator **Leahy**. That would be pretty exciting mechanics. None of them have been proposed so far.

I would also, following up on the question of the chairman, would like to know more about the administration proposal to eliminate the 18 percent for work-related expenses. Let's say you have a family earning $400 a month, you have another family receiving $400 on welfare. Under your proposal, they qualify for the same amount of food stamps despite the fact that the working family is going to incur $75 to $80 a month in work day expenses. Is it not a work disincentive to eliminate the deduction? Does not this encourage one to go on welfare and stop work?

Ms. **Jarratt**. Well, it is a work disincentive aspect but the families with earned income tend to be those households who go on and off the program quite frequently. And to assume that they automatically quit working and pick up the same amount of income as the family that has income, I think is not really valid because the household has a higher earnings rate than nonearning income. It is usually an elderly household. Whereas the work-eligible house that is not working is not going to have the same resources and does not automatically have the same income.

Senator **Leahy**. You do not see this as work disincentive?

Ms. **Jarratt**. I think it has a work disincentive but I think the family that has earnings is not making excessively high income anyway, say they had a gross income of $7,000, that is not necessarily where that family would want to peak out. I think they would still want to continue to work than to fall back on the food stamp program

Senator **Leahy**. Let me ask another question then.

The administration's figures shows or claims $600 million in administrative savings in the food stamp program in fiscal year 1983 due to a reduction in error rates. In order to achieve this amount of savings, States would have to reduce their error rate from 10 percent to 3 percent by October 1 of this year.

Can you go from 10 to 3 percent by October of this year?

Ms. **Jarratt**. It is going to be a difficult condition. I do not think that many States will get to the 3 percent, but hopefully many will get lower than the 10. I think that obviously there is a problem with that provision, you have to project what the yearly rates would be.

Senator **Leahy**. Do you also see a problem in your proposing a cut of 5 percent in the administrative costs that might have an effect on their ability to lower their error rates?

Ms. **Jarratt**. Possibly but I think the accumulative effect, when you are merging AFDC and the medicaid expenses——

Senator **Leahy**. Now, when Congress created the energy assistance program 2 years ago, you are well aware that many of these potential recipients would be receiving their food stamps. I can remember a couple of times we discussed it here, at least two separate occasions, the authorizing committees explicitly excluded energy assistance from being counted against food stamps. We funded levels for energy assistance accordingly.

What change has occurred since then that would make Congress change its mind?

Ms. **Jarratt**. Well, as I indicated before, I think it has been more of an income program and I think it is important to look at all available resources to the household. This is not the only program that is available in the social welfare area. So it is in that context that we envision including the energy assistance.

Senator **Leahy**. Would it be the administration's proposal that when we are appropriating money for energy assistance we should no longer take into account that there may be some food stamp benefits there and thus raise the assistance?

Ms. **Jarratt**. Yes.

Senator **Leahy**. It would be?

Ms. **Jarratt**. Yes

Senator **Leahy**. There really are not any savings. We take it on the other end.

Ms. **Jarratt**. Well, I think that the point is that we simply have not taken into account the State or Federal payments. So I think we would not—you do not mean that the Congress should increase——

Senator **Leahy**. What you are saying then is we should cut, in effect, cut whatever is available to people in cold areas?

Ms. **Jarratt**. I think that the food stamp program is not the place to provide energy assistance benefits.

Senator **Leahy**. Do you not think that we should say then, or are we saying then that you give people a choice of eating or heating?

Ms. **Jarratt**. Well, I hope it is not that harsh, Senator.

Senator **Leahy**. Pardon?

Ms. **Jarratt**. I hope it is not quite that harsh.

Senator **Leahy**. Are not you really saying that energy assistance can be used for food? I do not mean to be facetious but I have been around my own State at times when it is 25 and 30 below zero and it stays there for a week at times. It is cold. We have a wind chill factor that makes it go to 70 or 75 below zero. Some people's homes are not more than tar paper shacks. Maybe the chamber of commerce will not like it. They like to send out Norman Rockwell paintings of how nice it is in New England but it gets damn cold, especially if you are elderly or if you are suddenly out of work. Heating is not a luxury at that point. That is live or die, and people do die. I do not mean just in Vermont, but throughout the whole Northern tier of the United States.

You have to really experience that kind of cold and in a basically unheated place, whether it is tenament or farmworker's house or whether it is a poorly insulated trailer, because that is all the person can afford. You have got to really experience it to know what it is like. It is numb, it is terrifying, it is literally terrifying to those people. In some of those homes where you have children wrapped in everything that they could find, newspapers tucked into their sweaters and people are just terrified They are barely making it as it is.

I would hope that before we force people to make this kind of a choice, the administration may want to think that one through just a little bit more. Does the administration propose grants for the States to provide matching funds in the WIC block grant?

Ms. **Jarratt**. It is my understanding that it does not, that it is being drafted. The latest one was it was a match.

Senator **Leahy**. The administration proposes a 37-percent cut in the WIC program.

Now, even if the State chooses to spend all the WIC money in the nutritional assistance, there would be a huge drop to low-income assistance to children.

Can you justify it?

Ms. **Jarratt**. We justify it, sir, on the basis that many of the programs that are in the grant with the WIC package address some of the same basic needs. So we feel that the consolidation here will address your concern that some of those questions also address what WIC does. They are problems of a like nature.

Senator **Leahy**. You can assure us that there will be equally effective utilization of Federal dollars—as effective as WIC is now?

Ms. **Jarratt**. I do not think I can assure you that, because it would depend on how the State chooses to spend it.

Senator **Leahy**. Well, then, I am a little bit confused because I do not think anybody has disputed the success of WIC.

Our testimony from administration sources and outside has always been positive on WIC. I see also in my own State and other places where we have had hearings—Oklahoma and Vermont—that the amount of malnutrition has gone way down. It is a successful program and it would, I assume, be part of the safety net that the President speaks of. I also think there is another point.

This administration has spoken out, and very strongly against anything that might encourage laws or Supreme Court decisions or anything else that might encourage abortion, for example. And yet WIC has to be one of those programs that helps give a woman an alternative to abortion, not the only one by any means, but certainly it is part of that fabric that would provide a useful alternative.

Has there been any discussions of that aspect of cutting back in WIC?

Ms. **Jarratt**. Yes, sir, the proposal to reduce the WIC program does not intend to indicate that the administration does not recognize the impact that the program has had. We realize that it is a severe program and it prioritizes——

Senator **Leahy**. What is prioritize? I never heard the word. What does it mean? We have a semanticist here, but what does it mean?

Ms. **Jarratt**. It means that where we can get——

Senator **Leahy**. Set priorities?

Ms. **Jarratt**. Yes.

So we felt that the child nutrition program is the most important program to protect at the current level of funding because we do believe that that is the one that has the most impact on children away from home and there are a number of homes that have a like nature, that WIC did. And we thought we could more appropriately grant that one. That is why it was put in there. It was not a law intended to—that we recognize that does not stand alone.

But we do feel that perhaps they can be consolidated and that the same objectives can be met.

Senator **Leahy**. Do you feel that WIC has been successful?

Ms. **Jarratt**. Yes, sir, I do.

Senator **Leahy**. But then—and I appreciate your explanation, I still cannot understand why it is being cut 37 percent.

Ms. **Jarratt**. Gene?

Mr. DICKEY. Senator, I do not think there is any question that the WIC program has been successful. One important point I think we debated within the administration was the fact that in establishing these priorities most of the research does indicate that it has been most successful in terms of infant mortality and birth rates and those kinds of things.

Senator LEAHY. We are a country that lags behind a number of other industrial countries in infant mortality.

Mr. DICKEY. That is correct.

Senator LEAHY. A kind of blot on us.

Mr. DICKEY. Yes, sir, it is. I think one can presume however that 35 percent in terms of total numbers reduction, since approximately half of the current caseload goes to children, the program does authorize children to participate up to age 5, that given the set of priorities that the State might have available to them instead of options, that the predominant amount of the WIC categorical grant which is being folded in could still be targeted without any major reductions in assistance to infants and pregnant women.

Senator LEAHY. Do you think that the States—that that is going to automatically happen?

Mr. DICKEY. Senator, nothing automatically happens. No, sir, I do not.

Senator LEAHY. But we do have some control if we keep it at its prior level and keep our commitments to it, a commitment to one of the most successful nutritional programs that this country has ever undertaken.

Mr. DICKEY. No question the current national approach on the WIC program is a cure, does give the groups that I just mentioned first priority. It is true over a period of time that the child caseload has been decreasing. But I think one has to get back to the point that I believe most State health departments that I have been privileged to work with have a fair sense of health priorities in terms of targeting their funds.

Senator LEAHY. Mr. Chairman, I have been going into Senator Hayakawa's time. I yield back, but I would just say that those of us from rural areas have a saying—if something works, why fix it? If we have a program that is working, why try to change it?

I yield to Senator Hayakawa.

Senator HAYAKAWA. Let me catch up with the discussion so far before I ask any questions, Mr. Chairman.

Senator DOLE. We have made a part of the record the answers to questions.

How many outlets now participate in the school lunch program? Do you have a total? You say there are 1,700 programs that dropped since last year from the private schools which have tuitions in excess of $1,500, another 500 are public schools that have dropped out of the program because of either school programs or subsidy reductions. The remaining are child care institutions.

I was wondering what percent?

Ms. JARRATT. I think about 91,000.

Senator DOLE. About 91,000?

Ms. JARRATT. Yes, sir.

Senator DOLE. So I do not want to see the headlines—I know the media is all geared to take you up on all of these things. You might want to have the facts before they print them, although this would be a break with tradition. But we have the number, so it would not be just 1,700 schools dropping the school lunch program. How many schools still participate in the program?

Mr. Dickey. It is 91,480 still in the program.

Senator Dole. But 1,700 have dropped?

Mr. Dickey. Yes, sir.

Senator Dole. Now, we will have witnesses who say that this is because of the reduction in the program last year.

What about the thousands of private schools that have tuitions in excess of $1,500? Is that response and indication of no need in those schools for the school lunch program?

Ms. Jarratt. No, sir, it was the eligibility cutoff for the private schools was reduced and they were determined ineligible if they had tuitions over $1,500 a year and there were some schools that fell in that category. Those children are in households that they are able to have their lunch——

Senator Dole. This would take care of the private education children who are able to afford their lunches anyway?

Ms. Jarratt. Yes.

Senator Dole. Then there are 500 programs that closed because some schools simply closed. If the schools closed for other reasons, I assume they drop the school lunch program.

Ms Jarratt. Yes, and there was a drop in enrollment this year.

Senator Dole. I read in the paper too that not many people turned out. Now, I do not think it would be practical to close the school that continued to serve a hot lunch. But I want to spell it out for the media so they understand that.

How many schools closed up, do you know?

Mr. Dickey. I do not. Mr. Chairman, we do not know that.

Senator Dole. I understood there were about 400.

Mr. Dickey. Consolidations are occurring and restructing.

Senator Dole. I assume there are some who actually did close because of the changes we made last year. That ought to be on the record. Do you know how many closed just because of continuing changes in the law; do we know how many for a fact?

Staff. It shows approximately 1,100 schools around the country have closed just their food service operation. So their figures are actually lower than ours.

Senator Dole. What about the remaining 211 in child care institutions?

Mr. Dickey. Mr. Chairman, that is an institution which has children on a residence basis for 24 hours. These are homes for children, very often characterized as residential institutions that are State owned. This program or these outlets were authorized under the national school lunch program several years ago. In those operations we were able to provide assistance for breakfast and lunch. To some degree the program did replace local and State support, particularly where there were State institutions. But those are the kinds of outlets indicated.

Senator Dole. I have a series of questions that have been developed by staff on the Senate Finance Committee, which is concerned if there is going to be a transfer of WIC. I would like to submit these questions. You have not had an opportunity to look at them, but some you have responded to similar questions from Senator Leahy. It is going to be important to have this information.

I think the WIC program has been a good program. It is another program that started off with about $40 million, and now it is estimated at $1 billion, so it has grown. I guess if I included all the eligibles, it would be about $3 billion?

Mr. DICKEY. No, it would be about $6 billion, $5 billion.

Senator DOLE. It would be much higher than it is now?

Mr. DICKEY. I am not sure.

Senator DOLE. I think there is a great need for the WIC program. There is also a great need to reduce the deficits and bring the budget under control. There is a great need to prevent a lot of overlapping. I think this is a problem. Whether it is low income energy assistance or food stamps or AFDC, there ought to be some way that the poor family out there knows they do not have to go to nine different agencies or add up nine different programs. Sooner or later we are going to have to come to grips with this issue. I think I would just submit these questions.

Ms. JARRATT. I will be happy to supply the answers.[1]

Senator DOLE. Pat, do you have any further questions?

Senator LEAHY. Just a couple for clarification.

I would like to add two or three for the record after I have moved on to the ones that you have added.

Do all of these thousands of schools with private tuition, have tuition over $1,500? Do I understand correctly?

Mr. DICKEY. No, sir. No, sir, they do not.

We do not have a breakout of that. We have not done that kind of survey. I think it is fair to say that some may have closed. We do not know that, and some may have dropped the lunch program because of the other cuts that we imposed last year. Then there is the $1,500 tuition.

Senator LEAHY. But the thousands didn't all have $1,500 tuition?

Mr. DICKEY. That is correct.

Senator LEAHY. Do you, know approximately what percentage had $1,500 tuition?

Mr. DICKEY. Senator—just a moment.

The STAFF. Again, I referred to that other survey, which estimated that of the private schools they identified that dropped out, roughly half left because of the tuition and the other half left for other reasons.

Senator LEAHY. Because I share with the chairman the concern about having limited resources, and putting them in the private school where they can afford meals without Federal help. But I am also aware where a number of schools that might qualify as being private schools, they are inner-city schools, areas of very low income where the tuition may be $100 a year or $200 a year and I would hope that we are not automatically jumping into that.

Also, are there any trends here? If we have maybe 1,000 schools, maybe 1,000 plus, we are talking about 1,500 schools dropping out, near, 2 percent or so? Two percent, I may be off by a fraction, but 2 percent may not raise much of an alarm.

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[1] See p. 21.

But what are the trends, because I have had a lot of people tell me at home and in other parts of the country that they are afraid that more schools are going to be dropping out of the school lunch program altogether, simply because of these cuts.

Do you have any trends?

Mr. DICKEY. I think it is fair to say that enrollment is going down, consolidations will continue to occur and that is probably going to cause a drop in the numbers. Under this administration's proposal, particularly in the area of the traditional school lunch program, there are no further cuts proposed. I think that is a correct priority because school lunch is the basic core of the nutrition programs. This lack of school lunch reductions coupled with several things that we are doing in terms of paperwork, should help local schools. For example, the reimbursement versus meal cost requirements which the Federal Government has traditionally had were eliminated by the Reconciliation Act. I do not expect that we will see any substantial further declines. I think we will see a time of pretty constant participation, providing that the President's budget is passed.

Ms. JARRATT. I think a lot of the schools were waiting to see what the 1983 budget proposal was. Because if they were a marginal operation before, they might have more impact if they dropped out. But that is why we feel it was important not to further impact the program.

Senator LEAHY. Can you monitor now as you go along, and this is my last question, can you monitor as you go along what effect this is having? I am speaking specifically not just the number of schools, because there are consolidations obviously, but on the student population itself. In other words, if you have *X* percent of the student population last year had a school lunch program, are you able to determine how that *X* percent is affected?

Ms. JARRATT. We do not survey every school but we do, where possible, call on the State directors with the reimbursement rate at the end of the year.

Mr. DICKEY. We also do have a reporting network both monthly and semiannually which does target in on the number of schools that are participating, what their average daily attendance is. We have been watching that closely, not only attendance to measure the percentage of accessibility but also participation, and we have not been measuring that to measure the effect of the reconciliation bill from which most of this data——

Senator LEAHY. So by contacting your office then about every month or so, I can keep track of that?

Mr. DICKEY. Yes, sir.

Ms. JARRATT. We compare notes with them.

Senator DOLE. What percentage of the students participating in the special milk program are so-called nonneedy? Do you have any estimates on that? If they are going to eliminate the special milk program, we should know this. There is a feeling out there that everybody should be in the program. I think we ought to have the other side, at least for the record. It will never be printed anywhere else.

Ms. JARRATT. It is about 12 percent lower income and the rest are higher.

Senator DOLE. So about 88 percent would be in the nonneedy category.

Ms. JARRATT. Yes, sir.

Senator DOLE. Twelve percent. Is there any way that you can make certain that 12 percent are taken care of and not the 88?

Mr. DICKEY. If the law were changed to authorize assistance only to the needy child, local option would still prevail, I am sure, but that would be one way to deal with it, Mr. Chairman.

Senator DOLE. Now, what about the summer feeding program? I remember a couple of years ago being in Atchison, Kans.; I walked into a bank and a young mother there was very upset, because they had been handing out handbills saying; "Participate in the summer feeding program." There was no income level, anybody could participate in the summer feeding program. Is that still the case?

Mr. DICKEY. Perhaps the time you are speaking of, the requirement at that time, by law, was that the geographical area that the summer feeding program served had to be one-third of the population being served, economically deprived.

Recent legislation changed that to 50 percent, but the concept is still intact.

Senator DOLE. Once you are in that category, anybody can eat?

Mr. DICKEY. Yes, sir.

Senator DOLE. Is that necessary?

Mr. DICKEY. No, sir.

Senator DOLE. Can you eliminate the people who should not be in the program, and keep it for those who should?

Mr. DICKEY. Senator, the problem with that is one of pure administration. We have tried over the years, matter of fact, when the summer feeding program was first initiated, there was an attempt to gather data on the family size, and income, such as we have done in the school lunch program. But that really is not administrable generally in the summer program, because it is not an institutionalized setting as we have in our other feeding programs.

Senator DOLE. I do not think anything like that ever will make the nightly news, but at least you ought to say it publicly. Regarding the special milk program and some of these other areas, sooner or later the media may get to the other side. We may not live that long, but, if it happens, somebody can write to me about it. I think we have a serious budgetary problem, and it is hard enough dealing with the facts. When you have to deal with the fictions that you read on a daily basis, and hear three times a day on the networks, it becomes very difficult.

What percentage of households participating in the food stamp program claim a yearly income reduction?

Ms. JARRATT. About 18 to 20 percent.

Senator DOLE. What percentage of households are able bodied and have no income?

Ms. JARRATT. Fourteen percent.

Senator DOLE. How many households have recipients who are actually employed full time, 40 hours per week?

The STAFF. Full time is 30 hours per week.

Senator DOLE. What percentage? You can supply that for the record as information.

Ms. **Jarratt**. Ten percent.

Senator **Dole**. I think this is an area that I am very concerned about. If we are going to change that, we have to make certain that we do so by not providing, as Senator Leahy says, disincentives to work.

Is there any reason why a school cannot operate a lunch program during the summer, under the auspices of the school lunch program, regardless of whether or not we have a special feeding program?

Mr. **Dickey**. No, sir, there is no reason. The law has authorized, basically, for many years, the national school lunch program to be operated when the school is open and operating in the summer, and in fact, many do.

Senator **Dole**. So then if you add a summer feeding program on that basis, it would be for students in need, right?

Mr. **Dickey**. Generally what happens is you will find a school summer program operating where there is an educational curriculum of some sort, and a school lunch program operating there, and you will have a summer school program serving some other geographical area, in which up to half the children could be not needy.

Senator **Dole**. I have one final question, and perhaps Senator Helms and others may want to submit others for the record—the record will remain open. How did you arrive at the basis for the 30 percent figure in the benefit reduction rate? Do we have any current statistics indicating what percentage of income among low-income households is customarily spent on food? There ought to be some correlation between that figure and the benefit reduction rate.

Ms. **Jarratt**. Historically, that 30-percent figure goes back to the poverty level, and it is assumed that low-income houses spend 30 percent of their income for food. That is how we originally got the 30 percent. It was not statistically valid. It was just an assumption, and the 35-percent projection that we have as our proposal this year does not relate to that as it does to a provision that can be put in place that would not affect the lowest income households at all, but would be a mass change kind of computation that would not take very long to develop.

Senator **Dole**. There is a perception, I think, that because of the cuts made last year—and they were substantial in the food stamp program—that the program has been decimated. Do you have any figures on how many households were disqualified as a result of last year's reductions?

Ms. **Jarratt**. Four percent.

Senator **Dole**. Four percent?

Ms. **Jarratt**. We have a breakout that we can supply for the record, the kinds of households, and so forth, if you would like.

Senator **Dole**. Again, I do not want to quarrel with the people who tell us about these things, but I think that is not a large percentage. How many people have been added to the rolls this year, because of increased unemployment?

Ms. **Jarratt**. Participation is running at almost 22 million.

Senator **Dole**. There has been a steady increase, I assume?

Mr. **Dickey**. No, it has been flat.

Senator **Dole**. When did it go flat?

Ms. **Jarratt**. Unemployment was flat in January.

Senator **Dole**. It may be an indicator that we are going to go the other way.

Senator Hayakawa?

Senator **Hayakawa**. I would like to ask a question of Assistant Secretary Jarratt concerning this whole section of child nutrition.

These Federal child nutrition programs, you say, have been in operation over the past decade, 10 different programs, from 37 different States. That is pretty cumbersome.

Ms. **Jarratt**. Yes, sir.

Senator **Hayakawa**. This child nutrition program then, or these programs are in addition to the food stamps?

Ms. **Jarratt**. They are separate, yes, sir.

Senator **Hayakawa**. They were devised because it was felt that food stamps were not adequate to do the job?

Ms. **Jarratt**. Well, the school lunch program is much older than the food stamp program, but the child school program had started out in the late seventies, along with the food stamp program, but the lunch program——.

Senator **Hayakawa**. Is the lunch program part of the child nutrition program?

Ms. **Jarratt**. Yes, sir.

Senator **Hayakawa**. I want to see how these things fit together.

In the proposed legislation that you suggest on the following pages, you talk about the elimination of the overseas schools participation in the programs.

Have you had any squawk from the Department of Defense on this?

Ms. **Jarratt**. No, sir.

Senator **Dole**. They have plenty of money.

Ms. **Jarratt**. They can afford it.

Senator **Hayakawa**. You state in your statement, "transfer of the funding for program operations in Guam, the Commonwealth of the Northern Mariana Islands, American Samoa, and the Virgin Islands to a block grant——."

Ms. **Jarratt**. Yes, sir.

Senator **Hayakawa**. Why is Puerto Rico not included in this?

Mr. **Dickey**. The reconciliation bill, Senator, included a block grant for Puerto Rico for the food stamp program, they are just now involved in making that transition. It will be effective in July. We thought we made an administrative decision that it would be best to delay since Puerto Rico was making this transition at this time.

Senator **Hayakawa**. Puerto Rico is one of the areas most dependent on food stamps, is it not?

Mr. **Dickey**. That is correct.

Senator **Hayakawa**. Are they also involved in this child nutrition program?

Mr. **Dickey**. Yes, sir, they are very heavily, also. But that was the reason that we did not include it as a result of the East Territory block——

Ms. **Jarratt**. They are working very diligently to get the food stamp block grants in place. It is not that we meant to treat them differently, or that we would not let them do it, if they preferred that.

Senator **Hayakawa**. Point No. 3 concerns the "institution of a general nutrition assistance grant in place of the school breakfast and child care food programs." I understand that this would allow the States greater flexibility to set their own priorities in providing food assistance to children.

What is the special milk program which you propose to eliminate?

Ms. **Jarratt**. What is it, sir?

Senator **Hayakawa**. Yes.

Ms. **Jarratt**. Last year, in reconciliation, the Congress adopted the administration's recommendation to provide special milk in those schools where no other child feeding program was available, so these are—it is just a provision of milk to accompany a meal at an institution that does not avail itself of a breakfast or lunch.

Senator **Hayakawa**. Was this instituted as a result of demands on the part of children, and those who take care of them, or the result of dairy lobbying?

Ms. **Jarratt**. Well, it was the result of our feeling that the milk is provided in the lunch any way, it is already a component of the meal, so there was no reason to have a duplicate program.

Senator **Dole**. I think there was a dairy interest in the original program, as I recall. [Laughter.]

Mr. **Dickey**. That is fair to say.

Senator **Hayakawa**. In the case of those children who receive school breakfast is their allotment subtracted from their family allotments, or are we giving some children double benefits?

Ms. **Jarratt**. Are you speaking of the food stamp allotments?

Senator **Hayakawa**. Yes.

Ms. **Jarratt**. No, sir, their breakfast is not deducted from the food stamp allotments.

Senator **Hayakawa**. They are getting that in addition to the food stamp program?

Ms. **Jarratt**. Yes, sir.

Senator **Dole**. But there it amounts to about 43 percent. I do not think they are overnourished.

Senator **Hayakawa**. But the important thing about this whole series of legislative proposals is to simplify this whole matter of child nutrition, is that it?

Ms. **Jarratt**. Yes, and to recognize that lunch is the priority program for Federal assistance, and that we feel that that indicates States can consolidate and address needs without having a plethora of problems we currently have.

Senator **Hayakawa**. Thank you very much.

Senator **Dole**. I would like to make this a part of the record, in addition to the other material that Senator Leahy and I addressed. There may be other questions that other members will have, and I do believe, we are probably failing to tell the true story of some of the questions that I raised. I think there is a perception there that everybody is about to lose all their food stamps, or at least a percentage so great that they will go hungry.

So if we have the information, I would hope that you would make it available, because it is going to be very difficult this year to accomplish what has been proposed without making certain that we are not impacting on the truly needy. I think that is going to be the first question raised by every member of this committee, and, if it is, we are not going to pass certain proposals.

Ms. **Jarratt**. We will be happy to do that, Senator.

Senator **Dole**. Anything else, Pat?

Senator **Leahy**. No.

Senator **Dole**. Thank you very much.

[The following responses to questions asked Ms. Jarratt by Senators Dole and Leahy were subsequently received by the committee:]

Question. How many schools and child care institutions dropped out of these programs as a result of budget reductions enacted last year?

Answer. We estimate that 1,700 outlets have dropped out the School Lunch Program compared to last year. About 1,000 of those are private schools that have tuitions in excess of $1,500, the maximum amount allowable in order to be eligible to participate in the programs. Another 500 are public schools that have dropped out of the programs either because of school closings or subsidy reductions. The remaining 200 are residential child care institutions.

Our reports do not indicate that any child care institutions have dropped out of the programs at this point. As you may know the number of child care centers and family day care homes has grown over the past year. Since the child care food program supplements ongoing day care services, we did not expect that subsidy reductions would cause center or home drop outs. In addition, since some of the provisions of the Reconciliation Act were not effective until January 1, it is too early to tell what effect those provisions have on sponsor and center participation. We are continuing to monitor this situation and will let you know when we have new information.

Question. What has been the average decrease in daily student participation in school lunch and breakfast? Please indicate in absolute numbers and as a percentage decrease.

Answer. The following tables illustrate the decline in average daily meals in the National School Lunch and School Breakfast Program comparing average daily meals in October 1980 with October 1981.

AVERAGE DAILY MEALS IN MILLIONS

	October 1980	October 1981	Decline in number of meals	Percent decline
NSLP	24,957	21,918	1,941	12
SBP	3,631	3,269	362	10

Question. How many more schools does USDA anticipate dropping out of the School Lunch Program in the next year?

Answer. Since we are not proposing any subsidy level changes in the National School Lunch Program, we do not expect any large numbers of schools to leave the Program next year. However, due to declining enrollments, the number of participating schools may decrease because of school consolidations.

We are aware that some school districts were waiting to see if the Department proposed any further cuts in order to make their decision to continue or leave the Program. We feel comfortable that our Fiscal Year 1983 budget will avert any further dropouts.

Question. What is your best estimate of the effect on the breakfast program of the budget proposal to include it in a block grant with the child care feeding program at reduced funding? How many fewer schools and children are likely to participate in school breakfast programs?

Answer. Our proposal for a General Nutrition Assistance Grant is not intended to combine the School Breakfast and Child Care Food Programs into a block grant. The grant we propose supplants those two programs with funds which may be used for any child nutrition programs or activities a State desires to fund in addition to the National School Lunch Program. The use of these funds will be decided entirely by the States. There will be less money available, but we feel that States are in a better position to decide what activities are most needed by their populations. For that reason, we have no specific estimate of what impact this proposal will have on the current programs.

Question. Since the School Breakfast and Child Care Food Programs are generally under the supervision of separate State agencies, what is the rationale for including them in one block grant? What do you estimate to be a realistic lead time for States to sort our their priorities and effectively implement such a block grant?

Answer. There are only five States that have separate State agencies administering the School Breakfast and Child Care Food Programs. However, more than one State agency may administer programs under the grant. We would require only that, if more than one State agency will use funds from the grant, a single agency be designated the lead role in making application for and initially receiving the grant funds.

As for the lead time necessary for States to implement the grant, depending on the strategies chosen to expend the funds, the implementation time will differ among the States. In general, we expect that this can be accomplished with a minimum of burden for States. The States will have the option to design their own programs, but if they desire, they can offer some or all of the current programs, at reduced levels.

This grant will also give the States some experience in block grants in preparation for our proposals in 1984 to return all the Child Nutrition Programs to the States.

Question. Since the budget proposal to include WIC in the Maternal and Child Health Block Grant requires State matching funds for WIC, how much money do you anticipate States would provide in matching funds? What do you believe would be the source of the revenues that States would untilize to provide matching funds?

Answer. Although the current legislation for the Maternal and Child Health Services Block Grant contains a State matching requirement, it is our understanding that the proposed block grant legislation for the Services for Women, Infants and Children will not contain a matching requirement. This legislation is being drafted in the Department of Health and Human Services.

Question. What has been the effect of budget reductions enacted last year? What has been the average loss in benefits for all households? For elderly and disabled households? For households with a working member?

Answer. Changes in the Food Stamp Program under the Reconciliation Act were designed to slow the growth of program spending. Preliminary information indicates that this has, in fact, occurred: program participation and costs have remained fairly stable over the first quarter of this fiscal year despite historic seasonal trends and rising rates of unemployment. Reports from States on implementation of the Reconciliation provisions are so far consistent with the expected impacts of the provisions.

We have previously estimated that about four percent of all households participating in the program became ineligible with the gross income cutoff at 130 percent of the poverty line. These households lose, on average, $50 per month. The combined effect of reducing the earned income deduction to 10 percent and postponing adjustment of the Thrifty Food Plan, the standard deduction, and the limit on the shelter deduction reduces benefits for the remaining households by $13 per month.

Households with elderly and disabled members were generally not affected by these revisions, except for the postponement of scheduled adjustments. Households with a working member were more likely to have relatively high incomes, and so about 13 percent were expected to become ineligible.

Question. In regard to the proposed budget for fiscal year 1983: What percentage of all households would lose benefits or be terminated from the program? What would be the average loss in benefits for those who would be reduced?

Answer. The cumulative impact of the fiscal year 1983 proposals, aside from the proposal to hold States liable for error payments in excess of 3 percent in 1983, will:

Exclude 12 percent of the current food stamp households. On an average, these households will lose $20 per month. An additional 4 percent of the current households will be eligible for relatively small benefits but choose not to participate.

Reduce benefits of 68 percent of the current food stamp households by an average of $17 per month. The average benefit reduction for all households remaining on the program, including those with no change, is $13 per month.

Have no effect on 16 percent of the current food stamp households. These are households with no net income even after removing the earned income deduction.

Question. What percentage of households with elderly and disabled members would lost benefits or be terminated from the program? For these whose benefits would be reduced, what would be the average loss?

Answer. The cumulative impact of the fiscal year 1983 proposals, aside from the error reduction plan, will:

Exclude 23 percent of the current food stamp households with elderly members. These households will lose an average of $14 per month. An additional 5 percent will be eligible for relatively small benefits but choose not to participate.

Reduce benefits of 59 percent of the current food stamp households with elderly members by an average of $16 per month. The average benefit reduction for all households, including those with no change, is $13 per month.

Have no effect on 13 percent of the current food stamp households with elderly members.

For those households which consist solely of elderly or disabled members, the proposed changes will:

Exclude 25 percent of the current households. An additional 5 percent will be eligible for relatively small benefits but choose not to participate.

Reduce benefits for 56 percent of the current households.

Have no effect on 13 percent of the current households.

Dollar losses will be very similar to those households containing elderly.

Question. What percentage of female-headed households with children would lose benefits or be terminated from the program? For those whose benefits would be reduced, what would be the average loss?

Answer. The Administration's proposal will:

Exclude 3 percent of the current food stamp households with female heads and children. These households will lose an average of $44 per month. An additional 2 percent will remain eligible but choose not to participate.

Reduce benefits of 88 percent of the current households by an average of $28 per month. Most of these reductions, however, are offset by the interaction with AFDC benefit reductions. Taking these offsets into account, the average food stamp reduction is $6 per month. The average reduction for all households remaining on the program, including those with no change, is also $6 per month.

Have no effect on seven percent of the current households.

Question. What percentage of households with earners lose benefits or be terminated from the program? For those whose benefits would be reduced, what would be the average loss?

Answer. Of all the current food stamp households with earned income, the Administration's proposals will:

Exclude 12 percent as ineligible. These households will lose, on average, $40 per month. An additional 7 percent will remain eligible but choose not to participate.

Reduce benefits of 71 percent of the current households by an average of $54 per month. The average benefit reduction for all households, including those with no change, is $47 per month.

Have no effect on 10 percent of the households.

Question. Of the total amount of dollars that would be spent under current law on various groups, what percentage loss in benefits would each of the following groups of households incur if the fiscal year 1983 budget proposals were to be enacted—those with elderly and disabled members, those that are female-headed with children, those with earners?

Answer. The percentage reduction of total benefits to each group is shown below:

	Percent
With elderly members	21
With all elderly or disabled members	23
With female-heads and children	14
With earners	32
All households	16

Three-quarters of the savings are achieved by reducing benefits to participating households without affecting their eligibility.

Question. The proposed budget assumes enactment and implementation of food stamp savings early enough in fiscal year 1982 so that the fiscal year 1982 spending ceiling of $11.3 billion would not be exceeded. What is a realistic estimate of the latest time that Congress can enact the proposed reductions and achieve the requisite savings to keep fiscal year 1982 expenditures below $11.3 billion?

Answer. The schedule required in order to achieve savings in the last quarter of this fiscal year is very tight. States will, of course, also require some lead time in order to properly implement the new law. We expect to send the legislative package to the Congress this week.

Senator DOLE. Our next witness is Gerald Peterson, Assistant Inspector General for Audits, U.S. Department of Agriculture.

STATEMENT OF GERALD PETERSON, ASSISTANT INSPECTOR GENERAL FOR AUDITS, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY THOMAS J. BURKE, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, U.S. DEPARTMENT OF AGRICULTURE

Senator DOLE. As I understand, you do not have a prepared text, but you are prepared to respond to questions. Do you have any opening remarks that you would like to make?

Mr. PETERSON. No opening remarks. We would just like to respond to questions that you might have.

Senator DOLE. I think, first of all, for the record, if you will identify your areas of responsibilities, so again the record will be clear on what your responsibilities are, and how long you have been in that position, and just background information, it would be helpful to the committee.

Mr. PETERSON. I am Gerald Peterson, the Assistant Inspector General for Audits, and have been in that position for 2½ years.

Mr. BURKE. I am Thomas Burke, the Acting Assistant Inspector General for Investigations, and I have been acting on and off in the position for the last 2 years.

Senator DOLE. So I think the record will indicate that you have been working in two administrations, is that correct?

Mr. BURKE. I have been with Agriculture since 1969.

Senator DOLE. I have a question that Senator Helms would like to ask for the record.[1]

I understand that in some States certain recipients have portions of their food stamp allotment apportioned out in cash. For example, SSI recipients in California do not have safeguards to insure that households are not receiving both the cashout value of the food stamps, as well as registering again as a food stamp recipient. Is this correct?

Mr. PETERSON. That is basically correct. We are currently looking at that in California, and we are not at this point in time able to tell you how large that problem may be. But there is a potential for receiving both benefits.

Senator DOLE. Do you have any record of abuses of that?

Mr. PETERSON. As I say, we are developing that currently, but I do not know the extent of the abuse.

Senator DOLE. We also hear, from case workers and administrators, about abuses related to the expedited services provision which requires households to be certified for benefits within 3 days of application. Based on the experience of that provision so far, is there any need to continue the provision, or should we process all households under the same procedure?

Mr. PETERSON. I think, Mr. Dole, that we could and should process all households under the same procedure, and we would favor elimination of the expedited services as they are now written into the legislation. These cases should be certified and verified like regular cases, but in an expeditious manner.

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[1] See p. 161 for additional questions asked the Office of Inspector General, USDA by Senator Helms and answers thereto.

We have been doing some work in Washington, D.C., where there are about 40,000 households on food stamps. About 2,000 households receive expedited services each month. Of the 2,000 households participating under expedited services provision during September 1981, 550 had also participated under the expedited services provision during April, May, and June 1981.

It appears to us that the expedited services are being abused, and many people are using expedited services for an extended period of time. In fact, we looked at 77 cases in detail, and found that 58 had received expedited services from 2 to 9 consecutive months. We think that this is an abuse of the system, and that it could be corrected by eliminating the provision and, just expediting the normal certification and verification process.

Senator DOLE. I understand, again from staff, that, in most cases, they are generally processed within 8 to 10 days.

Mr. PETERSON. That is correct. We think that it would be possible for all hardship-type cases to be certified within a week's time.

Senator DOLE. One of the most rapidly growing child nutrition programs is the day care program.

Do you have any figures on how many participants in the program are nonneedy, and yet receiving completely free meals?

Mr. PETERSON. Mr. Chairman, we are doing some work currently in one of the larger multistate sponsors of family day homes—the Quality Child Care, Inc., which operates in 7 Midwest States. That organization sponsors about 5,700 providers, and they received program reimbursements totaling $12.7 million in fiscal year 1981. That represents about 16 percent of the $81 million FNS expended for day care homes in fiscal year 1981. If you will recall, effective May 1980, day care homes started receiving a flat rate of reimbursements for each type of meal served; thereby eliminating Federal payments based upon the needs of the individual family. While we have not completed our work, our preliminary results indicate that about 70 percent of the meals are being reimbursed for people who would not qualify if we were to apply the school lunch income criteria to the home day care centers. Had income eligibility criteria been in existence during fiscal year 1981, we estimated, based on our preliminary results, that this sponsor payment would have been about 52 percent less.

Senator DOLE. Again, you know, this is why it makes it so difficult to take care of those who ought to be provided for. We have all these people on the fringes. There ought to be somebody out there willing to expose some of this information to the leaders, the viewers, and the listeners. But thus far the focus has been so heavily on those losing benefits that I do not think the American people are able to fairly judge the program.

Mr. PETERSON. We think, Mr. Chairman, that, because this program is growing so rapidly, there should at least be some type of income criteria for participants. I think the program has about tripled in size in the past 2 years.

Senator DOLE. To the parent it means peace of mind, to the provider it means lots of love and patience. All those are very laudable goals, but I just suggest, whether we are in a budget crunch or not, that some of these areas ought to be eliminated. In several States, including North Carolina and Kansas, they have become quite active in recent years in recouping benefits, of amounts owed to the States which recipients might be due on their State income tax. Some have suggested that the Federal tax refunds be offset. Do you have any thoughts on such a proposal?

Mr. PETERSON. We favor such a proposal. Where we have checked with the States, it has worked, it seems to be working well, and we think it should be provided at the Federal level.

Senator DOLE. It is probably a matter properly relating to the Finance Committee. But you have done some work on the possibility of declaring household-received benefits as income for purposes of taxation?

Mr. PETERSON. That is correct, and we do have that proposal with the Office of Management and Budget now. But it will be provided to all these programs, or extended to all of these programs.

Senator DOLE. What percentage of the recent national error rate is attributable to misreporting of income?

Mr. PETERSON. You have a difference of opinion. I think the FNS quality control program results show it is about 50 percent. Our audit work suggests it is more like 70 percent. I think by far it is the most significant reason for the error rate.

Senator DOLE. Under current law the gross income limit for both the school lunch program and the food stamp program are identical. What do you think of the idea of having all the verification and certification for both programs done at the welfare office, rather than having the process being performed separately at both schools?

Mr. PETERSON. We would support that very much. It seems almost ludicrous to us that this requirement has been imposed on the school system, when it appears it could be better handled at a central point, such as a welfare office that performs as part of its normal function the certification or recipient eligibility for various Government programs.

Senator DOLE. The only problem is that a lot of these people who are not welfare recipients might resent going to a welfare office. There might be some other way to do it. It makes sense if we can simplify it for the people who have to participate, but I do not know that I would want to trot into the welfare office in Kansas, or any other place, to sign up for reduced-price lunches.

Mr. PETERSON. It just appeared, sir, that there would be some savings in the system.

Senator DOLE. Do you have any estimate of the savings?

Mr. PETERSON. We have not been able to estimate the savings.

Senator DOLE. You also need some resources, I assume?

Mr. PETERSON. Well, the last figure, I believe, that I had from FNS was that about 80 percent of the families of children receiving free school lunches also participate in the food stamp program.

Senator DOLE. It was also indicated, last year, after an audit of school lunch programs by OIG, that almost 30 percent of the recipients of free and reduced price meals were ineligible to receive them. Is this situation improving?

Mr. PETERSON. We think it is improving. It is harder for us to tell, but we had suggested that a new format be used for the application process, and our early indications are that there has been about a 10 percent reduction in the total number of people applying. Much of that can possibly be attributed to requesting the social security number on the application and informing the families that their reported income may be verified.

Senator DOLE. Could you tell us whether the measures in the Reconciliation Act are going to be implemented?

Mr. PETERSON. I am not sure whether they are going to be implemented, but we could not measure the effect at this time.

Senator DOLE. You are persuaded that there has been a reduction?

Mr. PETERSON. Yes, we are persuaded that there has been a reduction, and we think that there will be a greater reduction when the restrictions are universally applied. At this point in time it is a mixed bag on how many schools actually changed the certification process.

Senator DOLE. I do not want to dominate, but I would like to get on to the other witnesses.

Are there any other areas that you have heard Assistant Secretary Jarratt indicate where they are looking for change? A number of us, including Senator Helms, Senator Leahy, I think Senator Hayakawa, and myself, introduced bills last year to tighten up the food stamp program.

Have we overlooked some obvious areas that we ought to take a look at, instead focussing entirely on recipients? We might check into some other areas of fraud and abuse, either in food stamps, or school lunch, or any other part of the nutrition area.

Mr. BURKE. Well, Senator, in the retail business, we could use more investigations. Currently, within the FNS structure they have a compliance branch, and last year they conducted 4,700 investigations of the various retailers, to see whether they are selling Kleenex, or beer, or what have you, this could be enhanced.

I think this effort in that area pays off. Because what they found basically each year is about 50 percent of the stores that they enter are violating, to some degree, and that equates to about 2,000 of this caseload, and of that 2,000 they take administrative action on about 1,800. They do an excellent job.

However, the emphasis could be increased there.

Senator DOLE. Is there some requirement to have a public notice inside the store?

Mr. BURKE. Yes, sir.

Senator DOLE. Where is that? Under the cash register? I never see it in the store.

Mr. BURKE. It is in various places.

Senator DOLE. The back room?

Mr. BURKE. They have signs all over the stores that they accept food stamps.

Senator DOLE. I know that they have that sign. No other requirements?

Mr. BURKE. No other requirements, to my knowledge.

Senator DOLE. Only for food?

Mr. BURKE. Yes, sir. It is that they accept food stamps. They have an agreement.

Senator DOLE. We did something on that last year, as I recall.

Mr. BURKE. Some of the regulations coming out last year are pretty slow in coming forth, and they will be tightening up the program across the board.

Senator DOLE. Senator Leahy?

Senator LEAHY. No, it is just that I—you know, the provisions that Senator Dole and I, and so many others put in on waste and fraud, we really do want to know if they are being carried out, because we find strong bipartisan support for that in the Congress, one that runs across the political spectrum, and we wonder whether they are being carried out, and whether they are effective.

We were told, by the best information that we could get, that they were being carried out. What I will be doing is checking with their office in the next 2 or 3 months, to see how those provisions are being carried out, and how effectively they are being carried out, and what the results are.

Senator DOLE. Thank you. Senator Hayakawa?

Senator HAYAKAWA. Thank you, Mr. Chairman.

Mr. Peterson, I understand in recent years the city of Detroit has been experimenting with a pilot program for food stamps. It is my understanding that this program involves the distribution of commodities in lieu of food stamps.

Can you tell me about this program, and its success?

Mr. PETERSON. I am really not familiar with the commodities in lieu of food stamps, as part of the experiment. I am more familiar with Detroit's recent efforts to mechanize the food stamp program, and that has had some good results, but I am not familiar with the commodities.

Senator HAYAKAWA. Tell me about this mechanization process.

Mr. PETERSON. Well, Wayne County, Mich., for a long period of time, had a very severe problem in issuing duplicate authorization to participate cards and both cards were redeemed for food stamps. They have been able, through a number of means, but part of the total has been a mechanization of the certification process, that allows them to eliminate the possibility of duplication in the issuance of the authorization to purchase, and that has drastically reduced the Wayne County issuance of duplicate authorization to participate cards. It has been very effective.

Mr. BURKE. Senator, I know of no commodity program augmenting the food stamp program in Detroit. We know of the recent changes in the delivery system, where they eliminated the ATP, through the transfer, and it has been successful. They are moving in many areas through the State of Michigan to do the same thing.

Senator HAYAKAWA. You already answered some of my other questions about the Detroit pilot program, that there is less fraud as a result.

Mr. PETERSON. That is correct.

Senator HAYAKAWA. Of this mechanism, not as a result of the substitution of the food stamps themselves, the administration is proposing to eliminate the earnings deduction in the food stamp program.

Do you feel that such a move would provide recipients with a disincentive to find employment?

Mr. PETERSON. I think that is a policy question, Mr. Hayakawa, that I better stay away from. I just do not know the answer to that.

Mr. BURKE. I agree.

Senator HAYAKAWA. You just said that in about 50 percent of the cases you estimated, you found people purchasing with food stamps, products that were not supposed to be under the law.

Do you feel that under the WIC program it would yield the same result? That is, 50 percent error?

Mr. BURKE. I would not want to guess at the error rate in the WIC program, Senator, but the potential is tremendous. The WIC program is not as well administered as the food stamp program. The WIC program delivery system centers on a document which we call a voucher, which is not closely controlled. The percentage of error is unknown to me, sir. But the program is fraught with problems.

Senator HAYAKAWA. During the past year we were told that something like 20 percent of the food stamps issued were wasted, issued, or obtained through illegal means. We have been told of a black market existing in food stamps, and so on.

Have all these things been corrected in the past year, or have steps been taken to correct them?

Mr. PETERSON. I think that some positive steps have been taken. But the error rate, I believe, the last published error rate was still approximately 12.6 percent. We think that the error rate could and should be further reduced.

I would just like to say for a moment that the cooperation that has existed between the OIG office and the FNS has been outstanding over the past 10 years, and I think that we have, in cooperation with FNS, taken some positive steps to reduce the error rate.

We are currently providing technical assistance to a number of States, in applying our match concept that allows us to identify underreporting of income. FNS and the States have been very cooperative in using that data to remove those people from the program, that have in fact underestimated their income. So I think it has been a good, cooperative effort.

I do expect the error rate to come down. The error rate has stayed pretty consistent for a number of years, but I do believe that we can effect that error rate over the next 6 to 9 months.

Senator HAYAKAWA. Let me close by saying one important way in which we, as legislators, are caught in the middle of this. We are constantly getting letters from constituents who say, I stood behind somebody shopping with food stamps, buying all kinds of luxury items. Somebody in front of me was buying two cases of Perrier water obtained from their food stamps, and so on, and so on.

The abuses of the food stamp program are such that many letters are received. But at the same time, when we start to cut back on food stamps, then we are told that we are being needlessly harsh upon the poor, that we are totally without sympathy, or without compassion.

The underdog, et cetera, et cetera. Between those two pressures, we are often at a loss of what to do. Therefore, we have to rely very much on you, Mr. Inspector General, as to exactly what the situation is in these various charges, and countercharges, so that we can defend ourselves.

Mr. PETERSON. I think there has been a lot of things done very right, over the past couple of years. But it is going to take us a while to appreciate the impact of the legislative initiatives that were passed over a year ago. We just cannot assess it at this time.

Mr. **Burke**. Senator, we get the letters, too.

Senator **Hayakawa**. I will bet you do.

Senator **Dole**. You are not on the ballots. You do not get as many as we do.

Mr. **Burke**. No, but the Inspector General demands that we look at them all.

Senator **Dole**. You get a lot of ours. I think the underlying problem is that, if we are going to make adequate funding available for people who need the program, we have to weed out those who are abusing the program. We have had indictments in the Kansas City area, where there has been large-scale trafficking in food stamps, and I am certain this happened in other jurisdictions. We talk about theft in the post offices. I assume you are putting equal weight on the so-called big ticket items, and not following some little old lady around the Safeway?

Mr. **Peterson**. No sir, we are not following little old ladies around the Safeway.

Mr. **Burke**. No; our priority is basically to prevent, detect the large losses, and prosecute wherever necessary.

Senator **Dole**. Do you have any operation that permits you to go into a retail store and monitor and search?

Mr. **Burke**. Yes, sir, we do that frequently.

Senator **Dole**. Do you do any checking out?

Mr. **Burke**. Yes, sir, all the time. We have current operations in several of our large cities that we will be looking at some stores that are above the average. We have methods, through the Department's computer systems of targeting high redeeming stores.

Senator **Dole**. I remember talking to the retail grocers last year, and I mentioned all the fraud in the different programs. When I got to that program, I did not get much reaction.

Mr. **Burke**. It is there. We do not go after the little mom and pop store, like the little old lady in tennis shoes, we do not go after her either, but we do watch the redemptions, through the FNS computerization, and pick out the stores that look to be out of the ordinary.

Senator **Dole**. But you are pursuing the matching provision in food stamps, is that right?

Mr. **Peterson**. Yes, we are.

Senator **Dole**. What about the photo ID's? I think GAO recommended recently that we have a lot of issuance of duplicate ATP's.

Mr. **Burke**. Yes, sir.

Senator **Dole**. I assume that they have also recommended expanding jurisdiction for these photo ID's, such as is now required in some of the larger metropolitan areas. Are they effective?

Mr. **Burke**. I think it is too early to tell. We look at the photo ID as a single prong of a two-prong thrust. Those areas that have over 100,000 recipients must have photo ID's and that covers about 17 major cities. Then, too, we have some other areas with photo ID's. But coupled with that, we would like to see, first, endorser liability. That is if someone brings an ATP in to be negotiated for food stamps, that they show a photo ID, and second, that the clerk negotiating this ATP write down the identification number on the back.

Then if the ATP is subsequently shown to be stolen, or forged, the cashier, or institution, would be held liable for the full amount of the ATP. This is gaining momentum.

We think it will be a good check, and reduce the fraud, and the theft, primarily, and fraud of the ATP, and we look forward to moving the ID to other troubled areas, which are other than cities or projects over 100,000. We look forward also to having the first endorser liability become more universal. I think you will see a large reduction in the theft of the ATP, because it will not be as easily cashed.

Senator DOLE. I am certain that we will be having you before the committee frequently. I think this is one area in which we are in agreement: That this question of fraud or waste ought to be addressed.

I watched the program on 60 Minutes, which is primarily entertainment, but it did indicate that there was maybe too much focus on the person receiving benefits, and not enough on those who are really ripping off the program. I assume you have an even-handed approach.

Mr. BURKE. Yes, sir, Mr. Peterson and I work closely on our priorities.

Senator DOLE. Senator Leahy?

Senator LEAHY. I was kind of interested in the reference of tremendous fraud in WIC. How many prosecutions have there been for fraud in WIC?

Mr. BURKE. I do not think I said tremendous fraud. I will answer your question, I do not know. We have had a couple. We are concerned with the loose administration of that voucher, which finds its way into various stores.

Senator LEAHY. How would you characterize the problem? I thought you said tremendous problem.

Senator DOLE. Error rate.

Mr. BURKE. Error rate, but we have more of potential. The looseness of that voucher is what concerns us.

Senator LEAHY. How much fraud is there in WIC?

Mr. BURKE. I think I started out by saying I do not know. But I think it is frought with problems.

Senator LEAHY. Is there fraud in WIC?

Mr. BURKE. Yes.

Senator LEAHY. How many prosecutions have there been?

Mr. BURKE. I cannot answer that, sir. I will have to check, but it has been few.

Senator LEAHY. By a few, a couple of thousand?

Mr. BURKE. No, no. Ten, twenty, something like that.

Senator LEAHY. About 10 or 20 individuals?

Mr. BURKE. Yes.

Senator LEAHY. How many people are on WIC?

Mr. BURKE. The last I heard, was about 1 million. I do not know, sir. I have no idea.

Senator LEAHY. Let us see, did I understand 1 million people, and there were only 10 or 20 prosecuted. So we have had 10 or 20 cases of fraud.

If you had cases of fraud, you would prosecute them?

Mr. **Burke**. I am not talking about the pregnant women, or the children, I am talking about the stores. These are the recipients of that voucher, who take the face amount of it, and only give portions, charge increased prices for the milk, et cetera.

Senator **Leahy**. Everybody on this committee agrees that they should be prosecuted if they are doing that. How many stores?

Mr. **Burke**. I cannot answer that, sir. I do not know how many WIC stores.

Senator **Leahy**. So the only prosecution has been of stores, and not the individuals?

Mr. **Burke**. Yes, sir, to my knowledge.

Senator **Leahy**. Do you have a report, anywhere, that would show the exact number of prosecutions?

Mr. **Burke**. Yes, sir, I have it. I could supply that for the record.

Senator **Leahy**. Would you, please?

Mr. **Burke**. Yes.

[The following information was subsequently received by the committee:]

We had three indictments returned as a result of our investigations in the WIC Program:

1. A WIC disbursement officer employed by the Commonwealth of Puerto Rico, was charged with coverting $143,678 of WIC funds to his own use.
2. An individual who was not a program participant stole 400 blank WIC vouchers from a Brooklyn, New York hospital and attempted to sell them to a supermarket.
3. The Director of a New York City hospital stole an unknown number of WIC vouchers and redeemed about $70,000 worth through a storefront he owned. He covered or accounted for these redemptions in his store through fake invoices from a milk company to which he gave kickbacks.

We also had six investigations involving retailers declined by the U.S. Attorney.

Senator **Leahy**. Would you show whether it is individual, or the stores?

Mr. **Burke**. Yes, sir.

Senator **Leahy**. No, how many prosecutions were there last year, of individuals, on food stamps, or fraud?

Mr. **Burke**. We had approximately 800–799 indictments in the food stamp program, if my memory serves me correctly, 182 of those were for the recipient type.

Senator **Leahy**. For the recipient type—I am not sure I understand.

Mr. **Burke**. Recipients.

Senator **Leahy**. So 180 individuals were indicted for food stamp fraud last year?

Mr. **Burke**. Yes, sir, by us. That does not include what the States or cities have done.

Senator **Leahy**. How many by States and cities?

Mr. **Burke**. I cannot answer that.

Senator **Leahy**. So the Federal Government brought indictments against 180 people. How many people are on food stamps?

Mr. **Burke**. About 21 million, I think was the last.

Senator **Leahy**. Twenty-one million?

Mr. **Burke**. Round figure.

Senator **Leahy**. Well, I spent nearly a quarter of my life as a prosecutor. I am just thinking back to some of the statistics. In my little jurisdiction, I think I prosecuted more people a year for burglary than that. We have nowhere near 21 million people in Vermont, or within my jurisdiction.

It sounds like you are in pretty good shape, are you not? You could take a pretty good slice across 20 million high income taxpayers to find that many prosecutions, could we, in the United States?

Mr. **Burke**. I would think so.

Senator **Leahy**. So I am just wondering when we hear of all this waste and fraud going on, and I am concerned about it. I know that Senator Dole and I have worked like mad to close the doors on that.

Should the commentators be singling out the bankers and lawyers, doctors, and whatnot, who are in the high income, and say where the fraud is, because more of them get indicted than food stamp recipients? I just want to fully understand.

I am a small town lawyer. I am having trouble in the big city with you fellows.

Mr. **Burke**. Senator, I do not think the measure of fraud is indictments. We have to get into the statistics of the counties and the States, which are many, many more than we do. I think the error rate that we are referring to, and the people that get upset about fraud in the program are looking at 12.6 percent error rate at the front end, with the recipients or applicants making false statements, concerning two things; their income or family size.

I think the audits in the quality control programs of the Department have established that this equates to quite a bit of money, which could be possibly eliminated by various techniques that you talked about here today.

Senator **Leahy**. Can you show us whether the cutback of waste and fraud is actually working?

Mr. **Burke**. I cannot show you that today. But we have some tangible results which indicate a tightening is occurring.

Senator **Leahy**. Some of these things have come into being. We have been passing legislation for 2 or 3 years now.

Mr. **Burke**. Yes.

Senator **Leahy**. Has that had no effect at all?

Mr. **Burke**. No; I think there has been some good effects, particularly with the changing of the delivery system, eliminating ATP in certain areas. There have been several good changes, two of which are the photo ID which is coming forth now and the first endorser liability, the results of which are not tangible as yet.

Senator **Leahy**. By removing the cash provisions of food stamps, we removed the problems that we had, as I recall the testimony here of some of the banks that kept a great deal of that money, and for a long time, paid no interest, which is if you had a bank making $100,000 of free interest, that would be of as much concern as an unwed mother who might take 5 or 6 bucks a month extra.

Mr. **Burke**. That created another problem for us. When the ATP—when you had to pay say $50 to get $100, the theft rate was low. Most street thieves did not have the upfront $50 in my illustration, to negotiate or the benefit from stealing ATP's. Now that the purchase requirement has been eliminated, the ATP has become a much sought after document to steal from the recipients' mail boxes. One way of correcting this problem is by getting rid of the ATP.

Senator LEAHY. Has the ATP been gotten rid of now?

Mr. BURKE. No, not all, no, sir.

Senator LEAHY. But the steps are in mind to do that?

Mr. BURKE. Yes, many of the projects are moving that way.

Senator LEAHY. Thank you, Mr. Chairman.

Senator DOLE. I do not have any other questions. I think there is one problem. States do not place a high priority on indictments for fraud out there. This relates to the Federalism issue. The States do not want any part of these programs if they are going to cost anything. That is why they are complaining now. They are willing to give us medicaid but take nothing in return. We know where they are coming from. If I were a Governor, I guess I would feel the same way.

Senator LEAHY. It is like medicaid 2 or 3 years ago when all the Governors would come down and give us a speech about their budget surpluses—if they could do it, why could not we? So I think Henry Bellmon and Ed Muskie started saying that we cut out revenue sharing to the States, that we would balance the budget within a month, and all of a sudden we never heard from the Governors Conference again. It is a coincidence. But it seemed to work that way.

Senator DOLE. Yes, they have a tough job. The legislative session is full-time work, and some of them meet three or four times a year. However, I do not think the indictments themselves would be any measure of how many prosecutions. I think I share with Pat the belief that we really have some big operators in this business that give the whole food stamp program a bad name. I think it is our job to preserve and protect the people in the program that ought to be there. So we want to help all we can in the other areas. That is why I asked the question. Obviously, you are not focussing all of your attention on these borderline cases.

Mr. PETERSON. No attention is being focused at all on the borderline.

Senator LEAHY. I think all of us would encourage prosecutions in those areas where there is blatant fraud involved in this or any nutrition programs for the salutary effect of it. We have little enough money to go around to those who fall within the program, who need the money, we all agree need the help. If there are others out there ripping it off, they are making less available to those who truly need it. To the extent that we put budgetary pressures on this program, to that extent, we are going to continue, unfortunately, in today's economic times, we are going to continue to tighten eligibility, we are going to continue to squeeze a lot of people out of the program. So if you have people who are making significant fraud, go after them. Prosecute the hell out of them.

Mr. PETERSON. We did not even look at a case where the income does not exceed the standard by $100 a month.

Senator LEAHY. I understand.

Senator DOLE. Thank you very much. We appreciate it.

Dr. Mayer, we are happy to have you visit our committee again. I would just say that you can proceed in any way you wish. You have been here as often as some members. You can either summarize your statement, give us the entire testimony, or whatever you wish. I will be happy to hear from you.

STATEMENT OF DR. JEAN MAYER, PRESIDENT, TUFTS UNIVERSITY, MEDFORD, MASS.

Dr. MAYER. Thank you.

My statement is available to the committee, and I think it has been distributed to the press, so I would like if I may to pick up some of the main points and perhaps comment on some of the things that have been said this morning, some of which seem to me not to be factually entirely true.[1]

I think it is probably useful to remind ourselves of what those programs are for. In the 1930's, going back some time in the lifetime of many of us, we had a country which had hundreds of thousands of cases of acute malnutrition, thousands of people dying. In a city like Baltimore, 30 percent of the children were found to have clinical rickets. This situation was corrected in part through enrichment programs, milk enrichment, with vitamin D and a flour and corn enrichment with B vitamins and iron. The most acute deficiencies, disappeared, but in the 1960's, when some of us were involved in surveying the population of the United States for malnutrition we found a great deal of malnutrition. We found it in all ethnic groups, in all geographical areas of the United States, in places as distinct as northern Maine, Appalachia, Puerto Rico, the Indian reservations, the Indians, Aleuts, and Eskimos of Alaska, the overseas dependencies of the United States, and the core of the big cities. There were a number of what could be considered as hunger marches and a coalition was put together, which I was asked to chair, which was made up of women's organizations, religious organizations, unions, and such large organizations such as the Red Cross and the parent-teacher associations.

The National Council on Hunger and Malnutrition in the United States had a nominal membership of 63 million. In 1969, President Nixon—and I may add that the programs that you are asked, at this point to cut, are programs which were put together by two Republican administrations, working with the Democratically controlled Senate. They were not partisan programs.

In 1969, Mr. Nixon took the pledge for the Nation to eliminate hunger and malnutrition from the United States for all times.

Let me say that of all the social problems that beset this country, this is the one social problem which was actually solved in the past 10 or 15 years and before we dismantle it or dismantle it in part, we better make sure of what we are doing.

The best example I can see of this success is that the same team of physicians and nutritionists that had participated in the 1967-1968 survey and found malnutrition in every area of the United States resurveyed the same areas in 1978 and could find essentially no signs of malnutrition. This was true in areas like Appalachia or northern Maine, where there had been no economic improvement in the intervening period.

The conclusion that the survey doctors drew was that the one factor to which they could attribute the disappearance of malnutrition was the complex of food programs which were put together after the White House Conference on Food, Nutrition, and Health and which in fact were working. Those are programs which have done what they were meant to do and I may say—and I would like to get back to this subject, which has occupied the time of the committee, with very little fraud and very little unnecessary expenditures, except for a few forays of organized crime into the programs.

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[1] See p. 170 for the prepared statement of Dr. Mayer.

Let me add something else, too, which is that listening to the Assistant Secretary of Agriculture and to the Inspector General, one had the feeling that they were discussing expenditures which were in effect gone once they were expended and that no sense was given of the fact that what we are talking about is investments. In some cases, like in the case of the WIC program, one can demonstrate very clearly that the investments pay a yield much greater than the moneys expended.

In the case of the food stamp program, the school lunch program and others, the investment has clearly a slower payout but is there nevertheless.

Let me go quickly over the various programs. Let me start out with the food stamp program which is the guts of the entire Federal effort.

Some programs have been labeled "child nutrition programs" and they automatically acquire a great deal more emotional impact than the food stamp program but the food stamp program is the main child nutrition program in the United States. Sixty-one percent—almost two-thirds of the recipients of the food stamp program are children. The children are fed every day, three meals a day, through the food stamp program. The school lunch program by contrast, however great its educational value—clearly, if you are going to send children to school, they are going to learn more if they eat a decent breakfast and a decent lunch—basically feed the children only one day out of two and one meal out of three.

Now, it is an enormously popular program politically, endorsed by everybody from the Farm Bureau on—but speaking as a nutritionist, I have to disagree with the priorities that have been set; the food stamp program is a more important program for the children of America than the school lunch program. Not that I want to do anything to the school lunch program, but I think this point has to be made.

The food stamp program, incidentally, is a program which those of us who helped put it together with the administration, and the Congress does what we all wanted it to do: it is sensitive to the economic situation of the United States and the best proof of this is that the program has gone up and down in close correlation with the economic situation; clearly when people get jobs, they go off the program.

Senator Dole. It is a barometer.

Dr. Mayer. It is a very important barometer and I think therein lies a very important point, which I have not seen made anywhere; when it is proposed to trade the medicaid program for the food stamp program in terms of what the States can do. The medicaid program is a program which basically, except for the steadily increased cost of medical care, is not particularly tied to the economic situation. It will cost more each year as the cost of medical care goes up. By contrast, the cost of food stamps, the administration, the distribution and so on, varies with the economic situation.

So if you take a State where none of us lives, let us take the State of Michigan right now—unemployment in Michigan is running at 14.4 percent, well above the national average; tax revenues have dropped drastically in Michigan. The projected general fund balance for fiscal year 1982 is minus $2.9 million and the State cannot print money to make up deficits.

A transfer of the food stamp program at this point means that the State of Michigan would have its highest expenditures at the time when it is the least able to cope with it. The State of Michigan is an acute example, but there are 12 States that are forecasting deficits essentially because of high unemployment—and therefore high eligibility for food stamps—and 17 which expect surpluses under 1 percent.

I think there is no way in which that tradeoff is going to work unless some additional provisions are put in which correct for the fact that the expenditures will be highest in the States that have no money.

I would say that the food stamp program has never been munificent. In fact, every data that we have, shows that the recipients spend more money on food than the food stamp program provides.

Incidentally, there has been no drop of that expenditure when the provision for the purchase requirement was dropped. It turned out to have been a very good move on the part of the Congress to do that, although some of us were worried that it would effect unfavorably the state of nutrition of the poor. It has not in fact done that.

Now, the idea of going back to replacing in part the food stamp program with commodity distribution, I think, is a very bad idea. Not that I do not want to see that cheese distributed. But I think one of the things we decided, 12 years ago, is that we would try to operate the food stamp program, and the school lunch program, so as to make all Americans feel like Americans and not divide them into two classes: the people who shop at certain commissaries and who are fed by the Government, as in the Soviet Union and the people who shop at supermarkets. I think the institution of the food stamps has meant that there is one type of store for all Americans and I think this is an enormously important factor in the provision of the country.

Similarly, I must say, I shuddered when I saw or think I heard provisions being made which would once again—provisions contemplated in the school lunch program which would once again clearly designate poor children in a given classroom as poor children who get supplementary food while other people do not get it. I think every school system in the country has tried to administer the program in such a way that there would be as little visible distinction between children, particularly small children, as possible, and I think we have to be very careful to continue to do this.

I may add that sending the elderly in Vermont to the welfare office to be certified is a sure way to reduce the number of recipients. It has nothing to do with the needs. It has to do with the fact that at least in some areas of the country, and New England is an area I know well, the identification by the welfare office is going to be absolutely unacceptable, particularly to a lot of elderly people. They would rather starve than be certified by the welfare office.

Senator DOLE. Just to follow that up with the special milk program: they say 88 percent are in nonneedy category. They give milk to 10 students in order not to have to single out 1.

Dr. MAYER. No, let me say that the milk program and the school lunch program have educational backing though less nutritional priority.

Senator DOLE. The dairy program is costing so much money.

Dr. MAYER. I would say of all the programs, at the risk of being very unpopular, those are the ones which have the lowest priority as far as I am concerned. If everybody who needs food stamps got them the kids would go to school with a thermos bottle of milk and a sandwich. Those programs are all the more necessary than the other programs.

I may add that all the children getting milk may be a luxury but I can think of worse wastes.

Senator DOLE. I do not quarrel with that. They can give them all cheese but I do not know about milk. If we are going to give 70 million pounds of cheese while we are taking in 200 million pounds.

Dr. MAYER. The WIC program is one where I would be particularly careful to make any cuts. A low birth weight is now the eighth leading cause of death in the United States and it is more strongly related to neonatal mortality than any other variable. A baby under 5½ pounds at birth, whether because of prematurity or impaired growth, is 20 times as likely to die in the first year of life than an infant of normal weight. Low birth weight infants who survive have a higher incidence of birth defects, mental retardation, growth and developmental problems, blindness, autism, cerebral palsy, and epilepsy than babies of normal weight.

I asked the people in the Commonwealth of Massachusetts to make as good a calculation as they could of the lifetime costs to the State of taking care of one mentally retarded individual, and the best figure that I have is that the cost is in the neighborhood of $3,250,000 for the average lifetime. It does not take a great many children born with normal weights instead of increasing by an enormous factor their chances for retardation to make up that factor many, many times. If there is one program where one can be pennywise and pound foolish, it is in the case of the WIC program.

Let me add some additional points which I think are worth mentioning.

One of the things that I did not say about the food stamp program, but which is worth mentioning when we are putting a lot of emphasis on national defense, is that it is worth remembering that a very large fraction of the people who go into the Armed Forces at this point are people who belong specifically to the group of people who are on food stamps. I think we are not going to improve either the physique or the patriotism of those kids if we do not feed them. I may add that it is worth remembering that the beginning of the food programs during World War II was because of the poor physical state of the recruits, when 50 percent of the draftees were rejected. This particular group of people who are on food stamps are a group which provides a very large fraction of our Armed Forces.

I realize that the elderly feeding programs are not the responsibility of this committee but they are so intimately tied up to the other programs that again I would like to point out that this is the sort of program where economies are very expensive. It takes us $15 to delivery three meals a day to an elderly. But the alternative, if you do not do that, is to institutionalize them between $100 and $250 a day. The Meals on Wheels programs are cheap as compared to the cost of not feeding people who otherwise cannot feed themselves.

Finally, let me say that I have had from time to time some disagreement with the Department of Agriculture. I will pick up on some of these in a minute.

But I want to say first that I think the Department of Agriculture has done a very good job of administering the food programs. I have absolutely no confidence in the States that I do know, starting with my own, the Commonwealth of Massachusetts, that they will administer their food stamp program as impartially and as honestly and as efficiently as the Federal Government. It has been very fashionable lately to talk about the "bloated Federal Government," but I do not think any impartial observer on the political scene can doubt that the State government is the weakest link in our form of government. Kansas and Vermont I hope are much better administered than the Commonwealth of Massachusetts, but I am not that confident of that transfer that I think we are going to save money and do a better job through decentralization.

There are always priorities which affect a lot of people which clash with the priorities of the poor, and by and large, the Federal Government has been the best friends of the poor, the elderly, the students, much better than the States and while I can understand the argument for the greater flexibility of block grants, this is precisely what worries me when you get to the preservation of something as basic as feeding 10 percent of the population of the United States.

Now, let me make some quick points which have to do with some of the things that were said before. The figures that I have on the proposed cuts is that 85 percent of the families would see their benefits reduced somewhat; 12 percent would be terminated, of whom 61 percent are elderly or disabled. That is the group that really would be cut in the proposed cuts. Every story that I have been able to verify of fraud over in the food stamp program, that has any substance or magnitude, and since 1969, I was very interested, has been really stories of organized crime and in a few cases crooked caseworkers. I think that is where the money is.

What is considered as fraud is very often people continuing to get food stamps when they have a few dollars more a month than is permitted, they go out and scrub floors and do not report it. I think that sort of fraud is very, very small in dollar amount as compared to tighter enforcement against organized crime.

Finally, one point, Mr. Chairman, that I would like to make has to do with summer programs.

I think it is again important to remember that some of the programs, for instance, the school lunch program, serve as an educational program more than they serve as a nutrition program. The summer programs started as programs for social peace, experience has shown that if you have thousands and thousands of idle teenagers in your cities on hot days in the summer with nothing to do, you better organize something to keep them busy; otherwise, they will burn down the town. Experience has shown that if you have a feeding program, then the cities tend to organize activities around the feeding programs and you keep those youngsters busy.

If you do not have the summer programs, nothing happens. What you have is a large number of teenagers and these days with the enormous teenage unemployment that we have, this is one area where I think the social benefits are such that I would not be too tight on enforcing criteria of eligibility. Because you want the kids in the program, if not for the protection of the society, but for the protection of the kids.

Thank you very much.

Senator **Dole**. Senator Leahy?

Senator **Leahy**. Mr. Chairman, I am glad to hear Dr. Mayer.

As the chairman pointed out, you probably have testified and been here more often than most of the members. I would also note how much I enjoyed being on the President's Commission on World Hunger with you and with Senator Dole, and the good discussions that we had during that, sometimes very active discussions. I always enjoyed your comments. I am also glad to see that you had an opportunity to go skiing in Vermont recently. I have not had the opportunity.

Dr. Mayer, you said, if I understand your testimony correctly, you said low birth weight is now the eighth leading cause of death in the United States.

Do you mean the eighth leading cause for everyone or just for infants?

Dr. **Mayer**. No, for everybody.

Senator **Leahy**. So then undernutrition must be an enormous cause of deaths.

Dr. **Mayer**. No, a very large number of the infants that die are low birth weight. Now, in some cases, the low birth weights are due to congenital malformations which may be genetic in nature. But undernutrition is a very frequent cause of low birth weight, particularly in teenage girls and I think it is important to know that one-third of the recipients of the WIC programs are teenage girls.

Senator **Leahy**. If you were to reduce this funding 37 percent and move it to a block grant, is there any question in your mind that we are going to make that situation worse?

Dr. **Mayer**. I have no doubt that this is the last program I would cut. Those who want to restrict it after the age of 3 years are saying that the urgency of feeding is particularly great during pregnancy, during lactation, and during the first 2 years of the life of the infant. These are the 2 years during which the infant does not eat the same foods as the rest of the family.

On the other end, I think the WIC program was meant to cover the 2 to 5 period to bridge the period between the end of infancy and the beginning of going to school. I would agree that the importance of having supplementary feeding for that age group is less than it is during pregnancy, lactation, and infancy, because at that point the children are covered by the food stamp program. Actually, the main problem as far as growth in the food stamp program is that it is always defined as the program which would be adequate for parents and children of the average age of 8 or 9 and the families that really suffer under the program are families with adolescents, who are 14, 15, 16, 17, and who eat enormously larger intakes than small children.

We have never had really an answer for that, except inasmuch as high school kids are given larger portions than small children, but when I look at the budget of the "economy plan" or the "thrift plan" and try to visualize what you can buy for it, I am always struck with the fact that if you have one 15-year-old-boy or one 13-year-old-girl in the family, clearly you are going to be very short.

So I will concede the point that the urgency of having a program over and above the food stamp program is less from 2 to 5 than it is from minus 9 months to 2. But this is also the age at which very few people do not get any summer programs, school lunch and so on.

Senator LEAHY. Then we still do have malnutrition in this country?

Dr. MAYER. Well, surprisingly, we have done a very good job of eradicating most of our malnutrition. We have isolated cases of malnutrition but you know the——.

Senator LEAHY. Maybe I should say it this way. Do we need these programs?

Dr. MAYER. Yes. In the sixties, we were able to go to a village, say, in Appalachia and we could find an enormous number of poor growth, anemia and that sort of thing. Since 1970 we really have gotten rid of it. I think it is important to note that for another reason.

I think that we have developed in this country a sort of feeling of impotence, that we cannot do things together. That the Federal Government botches anything it does, that no social program works. If this were true, we would be in very bad shape.

The fact is, it is not true. We have put a man on the Moon and we have eliminated malnutrition. I think it is something that we should be proud of. It is crucial.

Senator LEAHY. Thank you, doctor.

Senator DOLE. I want the record to show that you have given outstanding leadership in the earlier days of the Nutrition Subommittee and the makeup of the first Select Committee on Nutrition. I think, as you have indicated, the food stamp program is probably the greatest social program since social security. So I do want to keep it—I want to preserve it. To do this, we have to keep looking at ways to make sure that it is not going to become so unpopular that the whole program might go down the drain. Maybe that is unlikely, but it could happen. Those of us who have supported the program must share the credit with Senator Humphrey and Senator McGovern and Senator Percy, and still others, like Senator Bellmon.

Having said that, let us consider the WIC program. There are so many children between the ages of zero and 2 that cannot participate because of funding limitations. What would you think if we had the same dollars and had the cutoff at 2 years of age.

Dr. MAYER. If it were the same number of dollars, I would rather the program go minus 9 months to 2 years than spend it on 2 to 5.

Senator DOLE. On the theory that there would be some pickup in the food program?

Dr. **Mayer**. Yes.

Senator **Dole**. What do we cover now, 30 percent of those eligible for the WIC program? The program covers less than half, and one reason that I heard, which does not make a good deal of sense, is that we ought to eliminate the WIC program because we cannot serve everybody. If that were the case, we would not be worth much at all. We may be able to change the WIC program. There are these critical times as you say up to 1 year, 2 years of age, and we are denying hundreds of thousands of children that benefit now.

Dr. **Mayer**. It is a critical time in growth and since most of the growth of the central nervous system takes place before birth and until the age of 1, and most of the interconnections between the cells of the central nervous system do take place between 1 and 2, physiologically it is essential.

It is also the age at which the children are not eating the same foods as the rest of the family and where special foods have to be bought. So there is a justification for looking at it as an entity going from the detection of pregancy to the age of 2, and I would rather not see it cut. I can think, Mr. Chairman, of a lot of other Federal programs—including a number of price supports, including tobacco, which I would much rather see cut than the WIC program. Like yourself, I spent part of my youth in the Armed Forces in World War II and I am not at all convinced that, in our defense procurement we are not buying far too few, far too expensive, far too vulnerable targets at this point; and I think we could partially acquire better defense with somewhat less money.

Having said all this, if we are stuck with a financial cap of the WIC program, I would limit it to the age of 2.

Senator **Dole**. I must say for the record, for the chairman, I do not think the tobacco program causes any outlays. But I did offer the amendment to reduce that program on the theory that everybody has to contribute to economic recovery, even the rich. That was not true in the wheat program. We are also going to impose a minimum corporate tax, and hope to modify a leasing proposal.

Dr. **Mayer**. I congratulate you on this.

Senator **Dole**. I know the first city to respond is New York City. So we will see what happens in the ensuing months.

I also think we have to monitor these programs very closely, because we have increasingly limited fiscal resources, and we need to make sure that benefit dollars are targeted to those most in need.

If we can reduce the number of people who are marginally eligible for benefits and even keep others out, because we do not have enough dollars, then we have to make that our choice. Again, I thank you very much.

Dr. Mauer, I am trying to decide whether you would want to go on now or after lunch. Senator Leahy has a commitment that was supposed to start over an hour ago. I have a commitment at Senator Baker's office at 1 o'clock. I can stay if you want.

Dr. **Mauer**. I have a commitment at 3:15.

Senator **Dole**. Then, let's proceed, and if there are any questions from Senator Leahy, he can submit them. You may not be aware of this, but meetings do not always start on time around here, and you may be here at 3:15 tomorrow.

Again, I would say, as I have indicated to the other witnesses, you are at liberty to proceed in any way you wish. You can summarize or highlight your statement, or comment on the testimony others may have given.

STATEMENT OF ALVIN M. MAUER, M.D., DIRECTOR, ST. JUDE CHILDREN'S RESEARCH HOSPITAL, MEMPHIS, TENN.

Dr. MAUER. Senator Dole, I think for purposes of brevity, I would summarize what I have submitted to you already in writing and highlight some of the points of concern for us.[1]

I am director of the St. Jude Children's Research Hospital and currently chairman of the Committee on Nutrition of the American Academy of Pediatrics.

We would like to make some comments about the WIC and CSFP programs specifically, and also the monitoring of supplemental food programs as it relates to some proposals for these two programs.

I would like to specifically emphasize some of the characteristics of these two programs which we feel have been very important in their evolution and which we are concerned about being lost with some of the proposals under way.

I think it is worthwhile remembering that initially, the WIC program was designed to help people who were at nutritional risk because of inadequate nutrition and inadequate income. When the program started, the Congress authorized an evaluation of the program so that the results of the program could be reviewed by Congress at the end of an initial 2-year period. This form of evaluation has continued in subsequent legislation and the legislation was designed to study the efficacy of nutritionally defined food supplements in a population at high risk for malnutrition.

There are proposals to remove both of these programs from the administration of the Department of Agriculture and transfer them to the maternal and child health block grant system.

In our opinion, this transfer poses a serious threat to the function of both programs by reducing funding levels by about one-third and by a probable loss of some special features which would eliminate some of the beneficial aspects of the program. Perhaps I can focus on the WIC program, since it is the larger program.

If I might just list these five characteristics which we consider of value.

One characteristic which we think should be preserved is the concept of eligibility requirements. Once again, the programs were designed to be preventive, not therapeutic in their intent and for populations at high risk for nutritional as well as other health disorders.

I think as Dr. Mayer said, malnutrition is best when it prevents nutrition and not when it is given to remediate malnutrition. We therefore feel it is very important to maintain consistent eligibility requirements to assure continued service to those people for whom it offers the greatest benefit.

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[1] See p. 176 for the prepared statement of Dr. Mauer.

Another important feature of the WIC program is the legislation requires that health services be available. The availability of health services has been beneficial in that it has introduced many into the health system during particularly critical times of pregnancy and early infancy. We feel this feature must also be preserved for maximum effectiveness of the program, which is intimately tied to health considerations.

Now, another characteristic, from its inception the WIC program has included an evaluation, as we mentioned, and in fact many regional and national attempts at evaluation of the effectiveness of the WIC program have been attempted. Health and nutrition related data have been made available to the Center for Disease Control for ongoing analysis. Many of these attempts at evaluation have been faulty, but the fact remains that WIC is one of the few governmental programs of this nature for which an evaluation is not only possible but has been attempted.

I think these evaluations have provided information of value not only about the program and its administration, but also about the health status of an important segment of our population. For the purposes of maintaining surveillance on the health and nutritional status of the people involved and to continue to improve the program itself, a system of evaluation must be maintained.

Through the WIC and CSFP programs, the commodity supplemental food program, it has been possible to define on a nationwide basis the nutrition package to be provided. This definition has assured consistent supplementation to the diet in all programs and lends itself to modifications as new information is derived and conditions change. I think it is essential that inconsistent or inappropriate supplementation be avoided locally by continued assurance of a defined nutritional supplementation package.

Again, the CSFP and WIC programs in their present forms have had periodic review by Congress, which has not only provided the opportunity for evaluation of the programs effectiveness, but has also assured accountability for program administration. Assurance of continued and, in fact, improving effectiveness of these programs should be maintained through the opportunity for congressional oversight.

Now, those are the five characteristics of these two programs which we feel should be carried along no matter what is done with these programs.

Now, to the matter of reduction of funding levels, we feel that it clearly is only going to result in the reduction of the numbers of people served, which I think has already been mentioned, is something—certainly less than half of those who are eligible. There are currently a little over 2 million people which I do not think anyone says does not overrepresent the population in this country which can benefit by such nutrition supplementation at these critical periods in life.

Reduction in funding would result primarily in a reduction in supplemental food available because of the relatively small proportion which is allocated to administrative costs. It is obvious that any possible deficiency achieved in administration could not absorb the proposed reduction in funding which would in turn result in reduction of a food availability.

Furthermore, the block grant system does not assure the level of program activity within the State. The proposal would inevitably result in a serious reduction in the numbers of people served.

Well, then, to end, the American Academy of Pediatrics has indicated that whatever form the program takes in the future, the characteristics mentioned above must be preserved. The Committee on Nutrition unanimously considered the most appropriate continuation of WIC to preserve these characteristics and funding level would be in its current form as administered by the Department of Agriculture. I would then close by thanking you for the opportunity to make this presentation.

Senator DOLE. Do you have any comments on lowering the eligible age from 5, so you could bring in more children during the critical time?

Dr. MAUER. I would certainly agree with Dr. Mayer that the critical time, if one were to set a priority, would be from zero to 2 for the reasons he mentioned.

I would also say, however, from our own studies that the ages of 2 to 5 in the group served are not without some problems in nutrition. I would regard it, if we had to set up a priority, as the preferable age, zero to 2. I do feel from our own studies that there are reasons to consider the 2 to 5 also at risk and if it can be done to continue that manner of supplementation.

Senator DOLE. I think the issue is that, even without the cuts, we are still only reaching less than 35 percent who are eligible. Now, is it better to ignore about 60 percent, and lower the eligibility age from 5 years to pick up more younger children and infants? This is a judgment call that we are not qualified to make and you would be.

Dr. MAUER. I would agree, and I do not know how much would be saved by eliminating 2 to 5 and how much in fact it would benefit an additional group by allowing a larger number of people to be served. So I would agree that the priorities being what they are, certainly 2 is the greatest period of risk for a developing infant.

I think however, I would like to see what would be accomplished by the 2 to 5 before one eliminated those children who are in the program from further support.

Senator DOLE. Of course we have to make judgments sometimes in committee and Congress as to how much we are going to reduce spending, if any, and which programs, if any, should be cut. I do not expect witnesses to come in with recommendations for cutting programs, but have you noticed or observed, with your expertise in this program, areas that we might address, or perhaps administrative or potential misuse of the program? Is there any area that we ought to be looking at in an effort to reduce the cost, for one reason and one reason only: to bring more people into the program who are now deprived of it?

Dr. MAUER. I think the program, once again getting back to its characteristics, has defined eligibility criteria so that there is opportunity that the population with the greatest risk is served. We feel that, again, the program is essentially a program to prevent malnutrition and the eligibility criteria should not be reduced to the point that one has to already be malnourished to get into the program.

I think the food packages can be looked at again and again to make sure that they are effective and are not overly expensive.

I think there are a number of areas to be looked at but other than making judgment calls, as you say about priorities, such as in the 2 to 5, I do not see any major areas in this program that could be reduced.

Already, the administrative amounts are insurmountable.

Senator **Dole**. I do not want to burden you with a lot of written questions, but we do have some questions developed by staff. Would you respond to those?

Dr. **Mauer**. I would be pleased to.

Senator **Dole**. I think we pretty much covered your testimony. I know we have a couple of pages here. We also get involved in some of these issues in the Finance Committee.

I appreciate your testimony very much. Your entire statement will be made a part of the record. We will be in recess until 2 o'clock.

[Whereupon, at 1 p.m., a luncheon recess was taken.]

Senator **Dole**. The committee will be in order.

I understand Senator Leahy is on the way. Senator Helms, the chairman of the committee, is present. I understand that you do not wish to make a statement, Senator Helms?

I think we will proceed with those witnesses who are ready. They can go ahead and make their statements and, if Senator Leahy arrives and has questions, we certainly want to give him the opportunity to ask them.

Dick, you are first.

STATEMENT OF RICHARD NATHAN, WOODROW WILSON SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS, PRINCETON UNIVERSITY, PRINCETON, N.J.

Mr. **Nathan**. Thank you, Senator.

I thought the best role for me to have would be to talk about the issues that are raised by the proposals before you this year, in the larger perspective of how they affect other programs, and in an historical perspective. I will focus in my short prepared testimony on the proposals in the fiscal year 1983 budget.

Let me start by saying that I began my work in this broad area of income support programs that deal with the needs of the poor, over a dozen years ago on the family assistance plan in Government in Washington, at OMB. We learned a great deal in that period about the role of the food stamp program. In my estimation the food stamp program is the single most important change in welfare programs made by the U.S. Government since the New Deal. It has important properties that we should think about carefully as we go into this next phase in which the administration is making proposals that would affect the basic properties of the program.

Mr. Chairman, you are certainly an expert with long experience in this field. In Washington a lot of important things happen which people don't follow closely. One of the little noticed but tremendously important historical changes in income support programs was what was referred to a couple of years as EPR, elimination of the purchase requirement.

It is necessary to put together the role that the food stamp program has come to play as a gap filler and as an aid to the working poor with its work incentive effects and the effect of EPR.

When you look at the food stamp program, it is a very important social program; we should not tamper with its basic properties in a way that fails to recognize this and is not very careful in dealing with the issues that are raised by the fiscal year 1983 budget sent to you by President Reagan.

I would like to make one other general point and then refer to my one and a half page statement and then make some final comments.

The first general point that I'd like to make is that the food stamp program from an economic point of view has especially strong work-incentive properties. When Milton Friedman first talked about the idea of a negative income tax or a guaranteed income scheme, one scheme to replace all programs, I once had a conversation with him about this. What he said we needed was a program with a low benefit and a low reduction rate, so it would have a strong work-incentive effect and not lure and hold people in the welfare system.

Indeed, the food stamp program has become exactly that. It has become a mininegative income tax with funny money. Exactly the kind of negative income tax that Milton Friedman was arguing for because he was concerned about work incentives.

The administration's proposed cuts in the food stamp program for fiscal year 1983, the budget just submitted, undermine this work incentive effect and hurt the elderly; they seriously weaken the income maintenance program that has the strongest incentive effects of all federally assisted programs for the poor.

The food stamp program is the hardest hit of all welfare programs by the budget cuts made last year and proposed for this year.

Basically, outlays for the program were cut by $1.7 billion, that's outlays last year and are proposed to be cut by a net of $2.3 billion, again outlays, this year, which, using the fiscal year 1982 current services budget is a 14-percent cut from current services last year and an 18-percent cut proposed for this year.

Yet, this much maligned program is the most vital gap-filler for the aged, for laidoff workers, and for the working poor among all welfare programs.

I followed the developments on this program—not as closely as members of the committee—but it does seem to me from what I know, that the abuses and problems of the program are being reduced. Students was a big issue. It's not such a big issue now; most students are not eligible. The work requirement has been strengthened under the food stamp program. I think that's exactly as it should be, and in places where there were serious administrative problems, with things like ATP cards, authority to purchase, particularly in New York City, which caused a lot of bad press, it's my impression they're getting on top of that.

The work incentive features of the food stamp program would be greatly undermined by eliminating the 18-percent earned income deduction and raising the reduction rate to 35 percent. Particularly serious is the compounding effect that these cuts would have for AFDC families and for the working poor. The working poor are hit the hardest by the budget changes that were made last year.

Such families as AFDC families, now headed by a working parent, usually a woman in a single-parent household, would, if they are working, face a ridiculous situation, compounded by these proposals of a more than 100 percent tax rate.

I remember when I was flapping around in Government, that Senator John Williams of the Senate Finance Committee, was tremendously effective and he was dead right in pointing out that at one juncture what was wrong with the family assistance plan, and what I think killed it more than anything else, was that we had a situation where a person every time they earned a dollar would lose money, would have 105, 115 or 120 percent tax rate, when you put together the social security tax rate, income taxes in the State and all of the various programs—housing, food stamps, and medicaid.

You do have an anomalous situation here, where as we move further on trying to dig into the entitlement programs, we're going to compound this problem, particularly for AFDC families. I believe in a work requirement. I think that an AFDC program with a high benefit should have a high tax rate. But not a plus-100 percent tax rate; then, you would go over the line.

The big change was last year in the Reconciliation Act, getting rid of 30-plus-one-third provision after 4 months. This would compound that.

My two final comments are not in my prepared testimony. First I'd like to address myself to the larger canvas of which the food stamp issues are a part. The proposal that the President has made for what some people call the "New, New Federalism," includes turning the food stamp program back to the States, which is really not an accurate statement. Because the food stamp program never was a State program for policy or for financing. States and counties only share in the administrative costs.

I think that the idea of a swap which involves turning back the food stamp program off into the future to State governments is the worst feature of the proposals in the President's state of the Union message, some of which I think are promising and which I personally think ought to be pushed further and explored further. But it would go against the tide of history to take income support programs that provide assistance to the poor, where we have been moving toward uniformity, and turn this program with its good properties over to the States.

Let me use a conservative argument to say why I see it this way. I believe that the marketplace ought to work, and that people ought to vote with their feet to decide where they want to live and whether they want to go to where the jobs are. The problem with turning income support programs back to the States is that it would create, I believe, a competitive situation in which States would compete to hold down benefits and to restrict the entry of welfare recipients. The market wouldn't work as well as if we had, for one country, reasonable uniformity.

Historically, for the last 40 years we have been moving toward more uniformity with work incentives, with work requirements. To go the other way and move—and take the food stamp program, which never really was a State/county program—and make it a State program, would put the States in a position to jetison all of its best work incentive features and not cover the working poor for supplements, which is what this program, which is so responsive to changes in the economy, does so well.

Now, a final comment, if I may, Mr. Chairman, and that is that we at Princeton, in our current research, have support for a large national study of 56 State and local governments of the affects of what we call the "Reagan Domestic Program." This is, I believe, a careful and even-handed study in governments across the country—States, counties, cities and towns—of the affects of the changes that have been made in domestic policy in this dramatic period of changing now that Proposition 13 has come to Washington.

The one generalization I would make about our research, although it's too early to go into very much by way of detail, is that if you look at all the programs that have been cut, and if you go out and study State and local governments as we have done, what you will find is that it is not jurisdiction and State and local treasuries that are most affected. It is people that are most affected by the budget cuts made so far. In particular, it is the working poor. Under medicaid, under AFDC last year, under the food stamp program, social services, child care, all these cuts come together. People who are trying to keep body and soul and families together and get into the mainstream of the economy, which is certainly our goal, and which includes, again, I would say, training programs which have been cut, these are the programs that have been hardest hit and these are the people that are going to be most affected. The proposals before this committee are quite dramatic and dig into the food stamp program in fundamental ways.

I'm glad, even though I haven't worked on this as much in the last few years as I did when I was in the Government, I'm glad to have the chance to come before the committee and to put my statement in the record, along with comments.

Thank you very much.

Senator **Dole**. I appreciate very much what you have said, and your entire statement will be included in the record, if you have not covered everything now. Senator Leahy?

Senator **Leahy**. I think that you probably have covered this in light of the statement you have given me besides the one you've put in.

Just summarize as quickly as you can for me, given the AFDC and the food stamp program reductions, those of last year, those that are proposed this year, what does this do to the work incentive? I mean, do you really see this as a major disincentive, a neutral thing, what?

Mr. **Nathan**. You have touched on various areas in there, Senator.

Senator **Leahy**. Sure.

Mr. **Nathan**. The most important change that was made was last year, is that after 4 months the 30 plus one-third was removed, which Wilbur Mills put into the AFDC program. After 4 months an AFDC family faces a 100-percent tax rate. There is a work requirement and there's a proposal for work programs and I, frankly, think that's the way it should be. I think that people on assistance who are of working age and are able-bodied should be expected to work and it's right to say to them, "You're just as good as the next person, you are expected to work."

What's going to happen is that the two proposals here, getting rid of the 18 percent work expenses deduction and raising the benefit reduction rate to 35 percent, will put some AFDC families in a very bad position compounding what was done last year. If you didn't change the food stamp program the way it is now proposed, to do it, if after 4 months a welfare mother went to work and earned a dollar, if she earned a dollar, her food stamp benefit would go up a little bit. Now, with the changes proposed, her food stamp benefits would not be affected and she would, in fact, lose some food stamps, a small amount of food stamp benefits, and she would have to pay social security taxes, and she would have to pay, in some States, income taxes, although she might get that money back at the end of the year, so that a working poor mother on AFDC, would face a situation where if she earned a dollar, she would lose $1 plus 10 cents, 20 cents, whatever. She would be worse off.

For the working poor not on AFDC, which is a big group under this program, you get some compounded very bad affects which I know one of the witnesses is going to talk about, where a working mother, working at the minimum wage, and let me just cite this figure for you. A working mother with two children, working at the minimum wage, not on AFDC, would have her food stamps cut under this proposal from $66 a month to $9 a month.

Senator LEAHY. Where are those figures from?

Mr. NATHAN. That's from a factsheet that's going to be presented by a later witness. That's not my testimony. It's very good, but I didn't do it.

Senator LEAHY. Thank you.

Senator DOLE. Senator Helms.

The CHAIRMAN. Well, I share the same concern, if I could express it, this morning, and one area—probably many areas that will concern the committee, but the one that they must have the greatest concern about is injecting a further disincentive to the so-called working poor.

Now, did you indicate that you had done some research at Princeton on that specific issue?

Mr. NATHAN. We do—we are currently conducting research in 14 States on the effects of the budget cuts last year. And we will soon have figures on the effects on the working poor, particularly who have been knocked off of AFDC.

What happens under the changes made last year is that a lot of people who were working on AFDC and have low AFDC benefits, lose their AFDC eligibility. The big catch in that is that they lose their medicaid coverage. One of the people on our research staff has been doing a series of television short reports on families in Paterson, N.J.

One of them is headed by a woman who lost her AFDC benefits. She has three children and she's not covered under health care any more. And she is staying in her job, but it's very tough and it's hard to know what she is going to do as things get harder for her.

A lot of things come together in the program of changes last year and what's proposed for this year that make that choice, to bring it home in sort of human terms, a much tougher choice for people who may decide to stay on welfare, which I think is terrible. We've got a lot of problems in that area. It's all right to say you're going to have work, but it takes a long time to set up jobs and they are not set up in all the States—nowhere close to that. It's not even required yet. You face the basic condition of whether there are jobs for the people that we apply a workfare—work requirement—to. I'm in favor of being very strong on getting jobs for people who are receiving public support. But if there aren't jobs and they face a situation where it's harder and harder for them to cope in the labor market, and they are not able to receive the health benefits that they would receive under welfare, there is a great risk of pushing them back into the welfare system and making the serious problem of intergenerational welfare dependency, which exists in a lot of our big cities today, more serious. This is the root, I think, of our urban and social needs in the Nation.

We've got a lot of problems in this area. The food stamp program is one sort of a ray of hope, so that when a person is under the food stamp program and working, they can continue to get assistance. To reduce that work incentive property further worries me.

Senator DOLE. Well, I think it worries many of us on the committee. I haven't looked at later testimony, but there may be other witnesses, who have been able to document precisely what the impact has been and what it may be if the earned income disregard is eliminated. Of course, use of that is tied in with the benefit reduction rate. However, if in fact, you don't touch either one of those, then you have lost most of the suggested savings in the budget recommendations.

I guess if you don't touch those, there is the 3-percent error rate, which means, in effect, shifting some of the cost to the States. Do you have any other suggested areas for savings? Perhaps we will not achieve $2.3 billion, but do you have any other areas that we should address or look at?

Mr. NATHAN. Well, I'm afraid I'm not going to be a very helpful witness. You really are between a rock and a hard place. Last year, you did a good job of seeking out all of the changes that I would have thought really could be considered. They have problems associated with them, but they don't dig as deeply into the fundamental character of the program. Whereas this year, you don't have, I don't think, so many options in this area. I have looked at the other proposals, the proposal to eliminate people with benefits under $10, and to round down and to start people—when they go on the rolls and not retrospectively.

I think it would be good for me to add, Senator, that while I have read a lot about the larger context of this program, I don't consider myself an expert on the food stamp program. I'm not able to give you guidance on where to go this year. I think you did a very good job last year salvaging the situation and staying within, I guess, what was the reconciliation instruction. This year, of course, we're not at that stage yet, but it's going to be much harder. It's going to be much harder.

Senator DOLE. Senator Helms.

The CHAIRMAN. Mr. Nathan, you sort of headed me off at the pass when you said you couldn't answer Senator Dole's question.

I was going to ask you if you were Emperor and had widespread authority to make this program work better, what would you do to encourage job search and employment.

Mr. NATHAN. With another hat that I wear, I'm chairman of the board of an organization called the Manpower Demonstration Research Corp. We have done careful tests in 15 cities over about 10 years of techniques you can use to get AFDC families, in particular, and ex-offenders and ex-addicts and youths who are dropouts from school into the labor market. It's very hard to do. But fundamentally I think what we have got to recognize is that the idea of workfare programs in every State, which the budget this year would mandate, is not easy to do, though, frankly, I wouldn't be opposed to that.

The MDRC Corp. is looking into this now in about 7 or 8 States out of the 25 or so that are voluntarily under the three workfare provisions of the Omnibus Reconciliation Act last year, CWTP, and Win-demos and workfare—all wonderful new acronyms. So one answer is that we ought to know a lot more pretty soon. I would urge your committee, and frankly our corporation is very interested in this, to work on finding out what the States are doing under workfare, and figuring out how serious we are about getting people into jobs instead of welfare. If we're very serious about that, then we're going to have to work on that connection between some kind of a job, even if it's not a very good job, and welfare.

What I'm really saying is that I think so far workfare is more a slogan than a reality. I'm interested in what the reality is going to be under the law passed last year. I'm also interested in what we could do. The problem with that, I'm sure, is going to be to really do it and not just talk about it. It costs money. But if you can save some of these people, and get them out of this welfare cycle and this intergenerational condition, to the extent that it occurs and I believe it's getting more serious, then that's where we ought to be.

I'm not against high tax rates under AFDC. I think that you just don't have a choice there. But I'm against tax rates or reduction rates that are above 100 percent because you get the problem that John Williams beat us over the head on, and I have never doubted that, he did just a terrific job on us, a very able person. I think that you've got to look at what would make workfare work, and that that's harder than cutting entitlement programs. It really is.

The CHAIRMAN. Well, I agree to that, but I wondered if you had any precise suggestions about how to make it work? I mean, look, I have the greatest respect for you, but you have given us some good theory, and I like it, and I agree with what you say, but now I want to put the bell on the cat. Now, do you have any precise suggestions?

Mr. NATHAN. I hate to say this, but I think that the precise thing—I want to be precise, is that we've got to have jobs for people. What I would do? I would take the short term AFDC family first. Say a mother has got a child under 6, she doesn't have to work now. I, frankly, don't know why we don't give priority in workfare to the younger mothers who haven't been in the welfare system as long, and I would be in favor of this. This is conservative. All the people I know from my past will say that I have gone haywire. But I would apply the work requirement to that group and I would ask the question, to be precise, what kind of jobs have we got for these people. So, that when we say "workfare," what is it? To be a little facetious, somebody referred to all the changes going on as the "shift-the-shaft program." We say to the States, you do it. But we don't say what it is. And I think we have to say to the States, we want you to take these people first. We want to know a lot about how you're going to get them jobs. Because there are no jobs now. Unemployment is 9 percent, and these people have terrific problems. They are not very employable. Yet once they get into the labor market, maybe you can keep some of them there. The younger they are, the more likely you are to save them, I think.

So, that is where I would look.

The CHAIRMAN. Well, are you saying that, for example, that we ought to continue the earned income deduction for householders working full time?

Mr. NATHAN. Senator, I'm not familiar enough with that to give you an answer.

The CHAIRMAN. Thank you, sir.

Senator DOLE. Mr. Nathan, we appreciate your testimony very much, and, again, I think we may be asking for the benefit of your expertise over in the Finance Committee, where we have to deal with AFDC. I had some of my staff here just to monitor any good suggestions that may be picked up along the way. I share your view that the food stamp program has a lot of merit. I think the question is how we're going to be able to control the size, and still really take care of those in the greatest need. It's going to be very difficult to make many changes this year.

The CHAIRMAN. Before Mr. Nathan leaves, Mr. Chairman.

You refer to the corporation.

Mr. NATHAN. Right.

The CHAIRMAN. Do you want to identify that for me?

Mr. NATHAN. It is the Manpower Demonstration Research Corp. And it has been doing tests for about 7 years of ways to get welfare mothers and the three other groups I mentioned into regular jobs. It's really a test where we have had people in a program and a random control group. We can tell you what worked and what didn't work. I could send you some material. I would be happy to.

The CHAIRMAN. Now, is your corporation turning over the coin and looking at the possibility of limiting the cost of the program by eliminating improper spending of funds for it?

Mr. NATHAN. Our emphasis has been more on the job site, getting people jobs. The corporation now is going to go out and find out what's happening to workfare and work with some of the States that have workfair programs underway. That is our interest and that's our expertise. The corporation has never done analytical studies of welfare programs and cost estimating and studied administrative issues for welfare programs.

The **Chairman**. It might do something for credibility of your findings if you included whatever you discover in terms of mismanagement of the program.

Mr. **Nathan**. Absolutely.

The **Chairman**. This is what most, if not all of us, have been talking about. There would be more money for the truly needy if you could weed out the kind of thing that we hear about and see so often.

Mr. **Nathan**. Well, absolutely, Senator. It seems to me that it is very important to the public and very important to taxpayers to constantly strive to improve management. Under the food stamp program, my impression is that automated systems and the kinds of controls that your committee and other committees have adopted for welfare systems have been achieving results. You know, it's curious, we always used to talk about the welfare mess. And by that we meant abuse and fraud. What's really happened, I think, is in almost all jurisdictions, better systems for rooting out errors, quality control systems and more automated systems have really gotten a handle on the administration of cash assistance and inkind food stamp assistance. The real mess is medicaid. It's not a welfare mess today. It's a medicaid mess and the problems of management and paying for what we really want to pay for are much more serious on the medical side than they are now in the cash and the food stamp program because of the constant pressure on the systems. They have changed. I think for the good. I'm not against it.

For instance, New York City is sort of the last place where they haven't cracked—quite cracked this authority to purchase, where your picture is on a card. If you go in and you say, I didn't get my check, now, I understand they can check right away and know whether the check was endorsed or not. In most jurisdictions we can do that. We can check right away and know whether that check was endorsed. They can look at the endorsement signature and see whether it matches the signature of the recipient. And I think they are about at that point in New York City, which was the last great challenge to the system's capability of these income maintenance programs.

So, I think that management is improving. I think you're right to keep the pressure on, but I do think that we have a much more management oriented welfare bureaucracy in the country now. Caseworkers aren't administering programs. Programs are being administered by clerks and computer experts. And, again, I agree with that. I don't think caseworkers should decide how much money anybody gets. They should deal with other kinds of things. We're pretty much at that point, I think.

Senator **Dole**. Well, we look at the medicaid problem, and it's $35 billion this year, if you consider the Federal and State share, and it's going up. That is why all the Governors are very happy to have us take this program over, but I don't see anything that they want. It's sort of like going to the cafeteria after it's closed.

Mr. **Nathan**. Well, I could expand on that subject. I have been thinking a lot about the federalism issues, Senator. But it does seem to me that medicaid and medicare are of a piece, and that the conceptual and administrative issues in the health area are really terribly serious. In medicaid it's an ethical issue. I mean, you've got this terrific problem of nursing homes. Almost half of medicaid is now for long term. It's just going to get bigger and what do we intend to do with it? I mean that's the toughest problem in the welfare area today.

Senator **DOLE**. Well, thank you very much.

Bob, you're the next victim here. I'm very happy to welcome you to the committee as one who has worked with the program and made valiant efforts to reduce the size and the scope and the managability of the program. And now, having had a year on the outside, taking a look at whether what you implemented was effective and whether or not what was done last year has been effective, I think you're in a prime position to give us a pretty good look at how you see the program. How do you view the changes we made last year, as well as the proposed changes in this year's budget?

Mr. **GREENSTEIN**. Well, I appreciate the opportunity, Mr. Chairman.

STATEMENT OF ROBERT GREENSTEIN, DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. **GREENSTEIN**. Let me make one observation before getting into my testimony, and it's a piece of good news, something that—Dick Nathan mentioned about New York City and ATP fraud. As you know, about 2 to 3 years ago that was probably the single biggest fraud problem, in the food stamp program. There was a new system put in place that we started back in October 1980, and the new administration continued to work on it and tighten it. I was just reading a couple of days ago, the lastest Inspector General report to the Congress, and over 80 percent of the ATP fraud in New York City has now been eliminated.

So, it's another example that there are problems, to be sure, that remain. But there is good progress that is being made.

What I would like to do with my testimony, Mr. Chairman, is to read excerpts of it, but not necessarily all of it and just put all of it in the record.[1]

Senator **DOLE**. It will all be made part of the record.

Mr. **GREENSTEIN**. Mr. Chairman, today there's considerable discussion of the need to restrain the growth of entitlement and benefit programs, which now account for 40 to 50 percent of the Federal budget. And before getting into the specific food stamp proposals, I would like to talk some about the entitlement context in general, because I think that the two are really inseparable.

As you know, we have two basic types of entitlement and benefit programs—those that provide benefits without regard to income, like social security and medicare, and those that are limited to those with low incomes. And the two have very different income profiles. For example, in social security and medicare, about 85 percent of the beneficiaries are above the poverty line and in food stamps about 90 percent are below the poverty line while they are on stamps.

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[1] See p. 178 for the prepared statement of Mr. Greenstein.

The thing that we have looked at and found of particular interest, is that when you take all of the income tested programs, that all of them combined comprise less than 10 percent of the Federal budget. When you add together food stamps, AFDC, medicaid, free and reduced price meals, WIC, energy assistance, housing, title I education, employment and training and social services, block grants and so forth, all of those together are less than a tenth of the budget. They are not where the biggest dollars are in the entitlement area. The biggest dollars are in the universal programs that cost more because they are universal.

On page 3 we have a chart which analyzes the administration's new proposals. We have divided the proposals into the universal programs that are not income tested and are primarily for the middle class, and those smaller programs which are income tested, and what we found is very remarkable.

With the exception of the guaranteed student loans, all of the other universal programs in 1983 have a percentage reduction below 5 percent, and the overall percentage reduction for all these programs combined would be 1½ percent.

But when we went to the income tested side, almost universally, except for SSI, the percentage reductions were much, much larger, 17½ percent for AFDC, 19 percent in food stamps, 37 percent in title I, 40 percent in employment and training, 30 percent in energy assistance. The overall reduction in the income tested programs was 44 percent and even when we took out the housing programs, because those are so huge, we still had an 18-percent reduction on the means tested side.

Of the $290 billion in the seven programs on the left hand column, only $4 billion or 1½ percent would be reduced. But of the $80 billion on the right hand side, 44 percent goes out.

When we think about the fact of who the people on the means tested programs are. They may be elderly and disabled and not work, parents with—female head of the households with young children, or if they earn, they are often below the Federal income tax threshold.

And, second, many of them are not in the labor market because they have young children or are elderly or disabled. So, I guess the first point that I'm trying to make, before we get into the food stamp specifics, is to raise a question about the basic mix in our overall area of the means tested and the nonmeans tested programs, the tax cuts and the defense buildup, we see some question in terms of the overall balance of the mix.

Now, to get into the specific food stamp cuts, as you know, the new food stamp cuts have some pretty big affects. I think the first point I would like to make—you asked about last year's cuts—the new proposal are qualitatively different from last year. I would agree with Dick Nathan, the proposals that were made last year, some of them were harsh, some of them were less so. Taken together as a group, they are impracticable and have hurt a lot of families. They were not in the same ball park as what the new proposals would do. They are qualitatively of a different nature.

That is borne out when we look at the Congressional Budget Office or USDA figures on the impacts of the cuts, 93 percent of the elderly and disabled losing benefits. A quarter of all the benefits for the elderly and disabled disappear and 41 percent of all the benefits for the working poor disappear and the one CBO figure I thought was really remarkable, was the average working family would lose $684 a year in benefits.

Another one that I noticed that struck me, was in the elderly and disabled area, the basic SSI payment level today is $265 a month. That's the minimum and States don't supplement this. You know most SSI recipients get a little social security, and the combined benefit level for persons receiving both SSI and social security is $285 a month. So, I looked at $285 as the most typical income level for people on SSI and social security.

Single elderly and disabled people living alone on $285 a month, 79 percent of the poverty line, would, unless they have medical or shelter deductions, lose all their food stamps. They would be out of the program under these proposals.

And when I began to look at these figures and how severe they were, the thing that struck me was that the reason the impacts are so large are the students are basically gone from the program, the strikers are gone from the program. We got rid of the people in 1977 with the luxury cars, and three times in the last 5 years the program has been tightened, the 1977 Act, the 1980 amendments and last year the Congress lowered the income limits. The Department just sent budget documents to the Appropriations Committee that says that those eligible for—not the participants—but those eligible for food stamps have been reduced by 8 million people in those three bills.

So, we have done all of these things and the problem is the people who are left on the program today are those who met President Reagan's definition only last spring and who were truly needy. And those people get an average benefit today of 43 cents per person per meal. It just doesn't leave much room for more cutting. We aren't in a situation we were in 1 year ago when there was more room and we could find more things.

On the specific proposal of abolishing the earned income deduction, I won't talk about it too much more other than to give you one example.

If you have two families, one of them has $5,000 a year from welfare or unemployment insurance, the other one has $5,000 a year in take-home pay, after taxes and work expenses, today they both get about the same amount of food stamps. Under the new proposals, the family that works would get $300 to $400 less a year in stamps than the family that doesn't. It's just a fundamental inequity that really shouldn't be in our system.

And the benefit reduction rate also poses major problems and is really equal to getting rid of the earned income disregard. I'll confess to being the person whose example Dick Nathan referred to when he mentioned that someone would testify that a working mother at the minimum wage would have their benefits cut from $66 a month to $9. I just stress again, that's not a horror story, that's a typical case. We know that the average family size on food stamps is three. And what wage is more typical than the minimum wage itself? A mother with two children, earning the minimum wage, would have her benefits go from $66 a month to $9.

In trying to look at typical examples, I reviewed the basic SSI payment for an elderly couple, which is today $397 a month, plus their $20 in social security, for $417. They lose 57 percent of their food stamps just because of the benefit reduction rate proposal alone. Not the minimum benefit, just because of raising the benefit reduction rate to 35 percent. So, these are pretty severe impacts.

In the area of work incentives Dick Nathan mentioned many of the problems. One further problem, is when the disincentives are so great that a mother either leaves her job or doesn't take one as quickly and work herself off of AFDC and food stamps as quickly, then what happens is that the cost to the Federal Government goes up rather than down. You were saying, well if we don't do the earnings disregard and the benefit reduction rate some of the savings aren't there. A lot of us believe that the administration's cost estimates on these proposals really are overly optimistic. Because if a family is earning some and, therefore, qualifies for let's say $200 worth of AFDC and food stamps, and let's say under the new proposals you cut them to $150 in AFDC and food stamps, if they leave their job they are going to get $300. The cost to the Federal Government goes up, not down, every time someone leaves their job. We can't afford to let that happen.

We looked at the marginal tax rates, as Dick Nathan did, and attached an appendix showing how the marginal tax rates can go as high as 105 to 120 percent. And I found one of the most interesting things in this area that I would recommend was really a brilliant article in the Journal of the Institute of Socioeconomic Studies in 1978, written by none other than David Stockman.

Stockman's article said high marginal tax rates are "the analytical key to understanding the whole range of problems associated with the welfare issue." David Stockman noted that higher marginal tax rates on upper income individuals decrease work incentives. And he then went on and said that "there is little reason to believe that the poor respond to high marginal tax rates any differently from the wealthy." Welfare recipients, he said, "are subject to marginal tax rates that match or even exceed the marginal tax rates faced by our wealthiest citizens," they are "astoundingly high," he said.

He pointed out that these marginal tax rates result in reduced work effort by the poor, and he made one other observation that I hope perhaps at some later time to get a chance to discuss with Chairman Helms.

Mr. Stockman said that high marginal tax rates are one of the greatest causes of welfare and food stamp fraud. They promote fraud, he said, because recipients are more likely to conceal their earnings when so much of the earnings are taxed away. Whereas, the response of the wealthy to high marginal rates "is to shield their income from taxation through tax preferences, accounting gimmicks, and nontaxable compensation. The only way the poor can shield income is to conceal it illegally or take it in the form of leisure."

When he wrote that article, the combined marginal tax rates for AFDC and food stamp families were about 70 to 80 percent, and today they're much higher and they would go over 100 percent under these new proposals. So, it would be a very serious problem.

I'd like to finish by commenting on two final proposals, the new proposal to reduce food stamps if a family gets energy assistance and to count food stamps toward housing. In the energy assistance area, families would lose as much as $5.25 in food stamps for each $10 they receive in energy assistance. Once again, the group that gets hit the hardest is the elderly and disabled. The latest HHS data indicates they are about 40 percent of those getting energy assistance and some of them would lose all their food stamps in winter months when energy assistance lifted them over the income limits.

I think there might be some logic to the proposal to count energy assistance as income if the energy assistance program were purely a new form of income transfer to free up funds for food and other purchases, but it's not. The program was set up following or in conjunction with the Federal action to deregulate oil prices and with OPEC oil price increases. And the Energy Department studies show that just between 1977 and 1980, energy costs incurred by low income families went up $6 billion a year. And the low income energy program is only $1.7 billion a year, so that the offset is less than a third of the energy price increase and, therefore, doesn't really provide additional money to spend on food.

A final comment on that, Mr. Chairman, is we talk about the need to keep the food stamp program as simple as possible and not to keep changing it. I may be wrong, but my sense is that had the Congress last year decided to count energy assistance as income, that faced with the high heating bills that households incurred in January, that if today, low income and elderly households were having their food stamps cut at the same time that they were having trouble paying their bills from January, that the Congress would be hit with a great demand to undo this provision to count energy assistance as income.

The final place where I think there could be the same problem is in the proposal to count food stamps as income in order to determine the rents paid in section 8, subsidized housing and public housing.

Until last year households paid 25 percent of their income in housing. The Reconciliation Act raised that to 30. The new proposal says 30 percent of your cash plus your food stamps. From what we have looked at, that is probably the single most regressive proposal in the whole new budget. Because the poorer you are the more food stamps you get, the more food stamps you get, the more your rent would go up. That's how the new proposal would work.

Some families rent would increase by a quarter or would double, but for AFDC families in the South, it could as much as triple. As you are well aware, the AFDC payments are very low in the South. In Mississippi, $96 a month for a family of three. If you have that family pay 30 percent of their income plus their food stamps, that means they have to use virtually the entire AFDC check to pay the rent. Because the food stamps are about twice their AFDC the rent would triple. They would have no cash left for anything else.

Not only would that cause great hardships on those families, but I have another major concern in terms of keeping the food stamp program clean. The last thing in the world we should be doing is having a system where in the South or any place else, after people pay their rent they have no cash but lots of food stamps. That leads to tremendous pressure to black market the stamps. We have had one experience with that and that's Puerto Rico where people had little cash welfare and lots of food stamps. And that is exactly where we would end up under the proposal to count food stamps as income in determining the rents that people would have to pay in the housing programs.

Thank you.

Senator DOLE. Thank you, Bob. I think you have covered the questions I was going to ask. Senator Leahy may not be back by the time we finish, so he wanted me to ask this question for the record. The Reagan administration is proposing that the benefit reduction rate for the food stamp program be raised from 30 to 35 percent. This is the same as saying that low income people should spend 35 percent, rather than 30 percent of their income on food. How affordable is such a proposal for low income people, given what has happened to their housing, energy and medical costs?

I think you have covered that in a general way, but if you would like to address this specifically——

Mr. GREENSTEIN. Why don't I just make one more comment and it's a point we talked a year ago about the combined impact of cuts in a variety of different programs at the same time and I don't always get the sense that OMB looks at them all together.

If a family has to spend 35 percent of their income for food, and they are also spending 30 percent-plus, the cost of the food stamps, on housing.

And the Energy Department studies show that for low income households, they now spend a third of their income on energy. About three times as high a percentage as the average family. Because when energy prices go up, as they did in the 1970's, you can't differentiate that much, rich and poor, everybody's got to heat their house.

So, if you put the energy and the housing and the food together, and then if they work they've got 15 to 20 percent taxes and work expenses, so some families were actually over a 100 percent.

One of my greatest fears about something like raising the benefit reduction rate is you can't at the same time say you need to pay more for energy and we're going to cut the energy program; you need to pay more for housing, we're going to charge more for rent; you need to pay more for food stamps, we're raising the benefit reduction rate, you need to make a copayment for medicaid; which is one new proposal. You can look at each one on their individual merits, such as the argument over the medicaid copayment and how it might relate to their utilization of medical services.

When you put them all together, I don't see how we can take families at 50 percent of the poverty line and say you have to pay more in every area of basic necessity at the same time. I think that's a real concern. And that's where I come back to the issue if we don't have a balance between the means tested and the nonmeans tested programs.

Senator DOLE. Now, having looked over this, I see you have reviewed all of the administration's proposals. When you were in the administration, you had responsibility for the food stamp program and all its problems. Do you have any suggestions for us as to where we might look for some tightening up of the program? I haven't gone back to read your testimony, but are there areas that we have overlooked—for savings that would not have the disincentives that you suggest?

Mr. GREENSTEIN. It's very hard now, as you know, I helped work in 1980 on those proposals with students and once a year adjustments and we saved $600 million there and worked with a number of members last year on the cuts last year. We have done this a couple of years in a row and it's hard to keep finding things, precisely because of the changes in the program, the lowering of the income limits. I think that the reason that the administration's proposals have the harsh impacts they do, is precisely because it's so hard to find anything much that's left. It's very difficult to do. I will continue to look at it and I'm sure there will be further discussions, but I don't really have anything just to mention today. And I guess my sense again is that I just feel that we need to look more, both in the tax and defense area, but possibly also at some of the other programs. And I'm one of those who notes that in the food stamp program, that Congress has made changes in the way the indexes work. We don't use the whole CPI, and I think it's more appropriate to look at some of those questions as to how the CPI is constructed for the other programs before digging deeper into the means tested programs like food stamps where we have already fixed those problems.

Senator DOLE. Well, I think the chart on page 3 is very, very good. I hope to be able to use that in my Finance Committee, if it's all right, as we start looking at medicare, social security and some of the other programs.

Senator Helms wondered, since you indicate your opposition to most of the administration's proposals, how would you feel about, No. 1, further postponing and indexing the thrifty food plan?

Mr. GREENSTEIN. I would not be in favor of that. We have postponed it until October 1, 1982. This means that as late as September 1982 benefits will be based on September 1980 prices. If we postpone it another year, in September 1983, benefits will still be based on September 1980 prices, and I'd make the same point. There is no other indexed program that has been postponed like this. Food stamps is the only one, it's the only one that's entirely indexed right. It's just low income food basket. It doesn't have the mortgage interest rates in there and I really don't see how we can talk about postponing food stamps a second year and not looking at indexing any place else.

We have really already fixed those problems in food stamps and we've already postponed it 9 months, and I just don't think that's, again, a balanced mix for the overall budget package.

Senator DOLE. No. 2, freezing of deductions beyond July 1, 1980, until 1983 when they are scheduled to be indexed again?

Mr. GREENSTEIN. Again, the same point there. We have postponed them, we have a 3-year hiatus, or 2½ years between adjustments. And, again, it's really the only program we've done that sort of thing.

Senator DOLE. No. 3, lowering the gross income limit to something like 100 percent of poverty, rather than 130 percent?

Mr. GREENSTEIN. Well, that would raise two kinds of problems. No. 1, we talk about work incentives, again, we would build up what people like Dick Nathan call a welfare notch, where you get a large benefit and you earn one additional dollar and you fall off a cliff. I just spent some time in the last week talking with people from Venezuela where they are going to set up a food stamp program there and they have a structure that has one of the worst notches you have ever seen and we have been trying to tell them they are going to create more problems than they are going to fix if they don't deal with that kind of a problem. You have to taper the benefits out.

The second is a 100-percent gross income limit would do two things. It would take many of the working poor who after their taxes are below the poverty line and remove them from the program, whereas people on welfare and unemployment with the same disposable income would stay in, because their gross is below the poverty. Another discrimination against the working poor, and it would hit an awful lot of social security and SSI recipients, unless you didn't apply it to the elderly. And I also am one who feels that we have enough differences in the food stamp program now between the elderly and the nonelderly. The nonelderly generally have lower benefits than all the other programs, AFDC benefits are much lower than SSI. And I would like to see us not continue with the practice of every time we make a new cut, we say we're going to increase or not touch the elderly, but we're going to cut everybody else. I think that's the wrong direction for the food stamp program to go on. I know you didn't favor that last year either and I'd like any proposal to go down to 100 percent of poverty. You know and I know that it's not going to deal with the elderly, because that's where most of them are.

Senator DOLE. And then, No. 4, instituting a school lunch overlap provision, such as the administration proposed last year?

Mr. GREENSTEIN. Well, I testified on that at great length last year. I won't take up the committee's time with my comments again, but I was not a big fan of that proposal, as you know.

Senator DOLE. I recall that.

This morning, someone at the USDA indicated that average food stamp benefits have risen faster than inflation in recent years. Do you agree with that statement?

Mr. Greenstein. I would give that a yes, but the but is that it doesn't mean anything the way it's stated. Two things would need to be considered. The average person on the program has not had their benefits go up faster than inflation. Two things have accounted for the overall program average benefit going up faster. The first is, again, as you know from your experience in finance, there isn't a single State in the country now which automatically indexes AFDC benefits.

And the HHS Department's latest data shows that in the last 10 years AFDC benefits in real dollars have gone down 24 percent. When AFDC benefits go down, the average food stamp benefit goes up. And I think—I don't like what Nathan favored, turning food stamps back to the States, but one of the points the administration makes and one of its handouts is that the combined Federal cost of the AFDC food stamp package has gone from 65 to 76 percent in recent years because States have used food stamps to make up more of the index. That's one reason the benefits are up.

The other reason the average benefit is up is because of your action and those of other Members of Congress in taking off the people with the highest income. Each time you take people off the top, the average benefit for the whole program goes up because so many people with lower benefits are left on the program.

But if you put AFDC and food stamps together, the combined benefit has gone up less than inflation in recent years.

Senator DOLE. You were asked to testify only on the food stamp program, but do you have any comments on eligibility under the WIC program? We had a couple of witnesses this morning, who are suggesting a rather substantial cut in the WIC program, plus transferring it; I asked the question, if we can't serve more than 35 percent of the eligibles, should we reduce the age from five to two? Have you given any thought to that?

Mr. GREENSTEIN. That was an issue we actually studied at some detail when I was at the Department. I think that would be a mistake. I think that it really has already been dealt with through another mechanism, and that is that, maybe this didn't come up this morning.

Regulations for about the past 2 or 3 years have had a provision where there is a 6 or 7 part priority system in which the neediest people are served first. And that priority system is not done by income. It's done by nutritional risks. Older children automatically get on last unless the medical tests actually show they are anemic or they have a demonstrated medical problem. There is a priority ranking by nutritional risks. And I believe that the States and local health clinics are doing a good enough job and the medical professionals at the local level know what they are doing when they determine who gets in first. They do generally give the pregnant, children, and the infants the higher priority, but there are a lot of children who come in who have demonstrated clinical and medical problems, anemia, who do get into the program and need to.

About 2 years ago the Congressional Budget Office issued a study on the child nutrition programs that was actually authored by Bill Hoagland, and in that study he noted that studies had found that the WIC program reduced anemia among children, not infants, now, but the older children. And I think that while we would all agree that the single most valuable part of WIC is probably the part that helps increase birth rates and lower infant mortality.

From my experience, the child part of WIC, while not as dramatically effective as the infant and pregnant women part of WIC, is still more effective than probably any other child nutritional program we have. I have just heard of a new study at Harvard that found that like for 3-year old children, the WIC program improves height and weight for those who had subnormal height and weight before coming into the program. I guess I'm one on the WIC program—I kind of wear my heart on my sleeve. I think it's one of the best dollars we spend, not just the food programs, but anywhere in the Government, and I'd hate to see us cut it back in any way. I'd look at lots of other places before I'd look at that program.

Senator **Dole**. I wasn't talking about cutting it back. If we were able to serve more children in the critical years, minus 9 months to age 2, would this be a viable option? Apparently it wouldn't. If we, in effect have the priorities set by regulation, maybe it wouldn't save that much——

Mr. **Greenstein**. Well, we have the priorities and I think we can trust the local medical people out there in the States and local clinics to make the best decisions as to who most needs the care in that broader framework. So, I would let them continue to do it.

Senator **Dole** [continuing]. Thank you very much. There may be some other questions from subcommittee members. Could we submit those in writing?

Mr. **Greenstein**. Be happy.

Senator **Dole**. Thank you.

Bishop Joseph Sullivan, Auxiliary Bishop of Brooklyn, U.S. Catholic Conference.

STATEMENT OF BISHOP JOSEPH SULLIVAN, AUXILIARY BISHOP OF BROOKLYN, U.S. CATHOLIC CONFERENCE

Bishop **Sullivan**. Mr. Chairman, I was somewhat reluctant to identify myself as coming from New York City after two of the last speakers commented on the food stamp program.[1]

Senator **Dole**. You're from Brooklyn. I went to Brooklyn College for a while, so you're all right.

Bishop **Sullivan**. We know then you're a very educated man.

Let me just say that I'm here, Mr. Chairman, on behalf of the United States Catholic Conference, which is the social action arm of the U.S. Catholic Bishops, and also on behalf of Catholic Charities, which is the largest network of voluntary social service agencies in the country, operating in all 50 States and some 170 dioceses.

We come here today primarily, not as technicians or economists or as experts on how we can answer some of the questions that you proposed to some of the previous speakers on how we can improve on the food stamp program or how we can make further cuts or judicious cuts. I think we come here more as a spokesperson for what I think we believe is the fundamental human right involved here and the dignity of the person who is in need of nutrition. We believe it is the role of the church in many ways to be an advocate for basic human rights which preserve human dignity and we consider food and eating as a fundamental human basic right and, therefore, our testimony is really very positive to avoiding any further cuts in the means tested parts of the program, particularly in the food stamp program.

We have the evidence which is more community based in terms of case situations, rather than statistical, while we are joined together with many other agencies in trying to collect the data and information, we believe that we will have that in April, but we are primarily here looking at what is happening around the country, what we are experiencing in parishes and some of our social service agencies.

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[1] See p. 189 for the prepared statement of Bishop Sullivan.

For here in the archdiocese of Washington, the appeal to Catholic Charity agencies for relief has doubled and tripled over what it was last year. Now, that is not all directly due to food stamps, obviously, it has to do with the recession and the overall economy. But we have in many areas, like in Detroit, where Catholic priests run a food center, they have doubled the amount of food that they are giving out over last year. We have that also in a very small program in Catholic Charities in Kansas, where they are doubled where they were last year in giving out emergency relief. Most of that is for food.

In fact, in the city where I come from the appeal that mostly comes to the parish usually around how do you pay your rent and how do you get enough food income. And so we have many parishes in the city of New York trying to set up food pantries as a kind of a temporary emergency relief. Just to give you an example, we had 8,000 pounds to give out of cheese just recently from the Department of Agriculture, and what was symbolic about it, we had five locations, all the poverty areas, all means tested people who got the cheese. We opened from 9 to 5 and all of it was gone before noontime. The reality was that in some ways symbolically people were coming out publicly and in a sense exposing themselves as truly in need, but as I feel the food stamp program has functioned as a kind of quasi-entitlement program, has provided a kind of dignity and kind of a humaneness in the way people could purchase food through their program.

It has been not only the President's contention, but many elected officials that the churches in the voluntary sector ought to be able in some way to fill up the gap. I think we are true to our tradition in trying to do as much as we can, but I think our experience is that there in nowhere near the resources, both within the institutional church nor within the voluntary not-for-profit sector in any way to try to measure up to that expectation. The cuts themselves that were approved in 1982 really take $27 billion away for the not-for-profit social service agencies over the next 3 years. And now we have further cuts being proposed.

The Brookings Institute has indicated in its research study that the single most targeted agencies are the community based agencies and the voluntary not-for-profit agencies who will be devastated by the cuts—the overall cuts in the budget. So, I don't believe it is as fair to assume that there was within—not a matter of good will, but I don't think anywhere within our capacity to respond to the needs of poor people, whether it's in food or whether it's in income, or whether it's in energy, to the churches. In fact, in some ways I think we are in difficulty if we try even by our charity, it seems to me, to in some ways to place a kind of a blanket over what I think are some of the cruel inequities in the justices perpetrated by the Government when it does not step in where it must intervene to provide and insure basic human rights.

It is our contention from our Catholic social teaching that the fundamental and foremost principle that is involved in all social welfare is the dignity of the human person. That dignity is preserved by basic human needs being met. We feel when the voluntary sector, when the churches were unable up until the 1930's to be able to respond, it was the intervention of Government that made it possible for redistribution of income. It made it possible for many people to get assistance. We see now that we're rolling that around and in some ways coming back to the churches to try to do something which we recognize then and in some way supported the whole development of the insurance programs, the transfer programs, the in-cut support systems that made it possible for people to live in dignity.

So, I just don't think it's possible, either in point in history or, in fact, and I really think it is our contention that there is a point in time when Government must intervene to insure basic human needs and we feel that in the area that we have had one of the greatest experiences in terms of successfully run programs, is in the food stamp program. We believe, as several of the experts have previously testified, that it has been a very effective program. It has reduced dramatically—it has produced dramatic gains in reducing hunger in our Nation, gains that must not be abandoned, we feel now in the search for quick and easy solutions to our overall economic ills.

We do not believe that the proposed cuts will effect an economic revival that we are all seeking, rather they will force those who are already poor to suffer even more severely. It is our contention that many of the cuts that are being proposed in the overall budget program, seems to us are not only reducing benefits to poor people, but are actually adding to the number of poor people.

It is estimated 17 million food stamp recipients will lose benefits or have them reduced under the present proposed changes. And when combined with last year's cuts, the new proposals will mean some 4 million people will no longer receive food stamps. The vast majority of these people are truly in need and in many cases these are the same families and the same individuals who are being hurt by cuts in other human service programs.

Just specifically I'd like to refer to several of the changes that we feel are most harsh. Abolishing the earned income deductions would cut benefits unfairly for the working poor and in some cases would actually create a disincentive, we believe, to work, as Mr. Nathan has testified.

Increasing the benefit reduction rate from 30 to 35 percent, we believe, would adversely affect almost all food stamp recipients, but especially, again, damaging for the elderly and the working poor.

Counting low income energy assistance as regular income, we believe, would have a severe impact. And just to give you an example, in New York State, which has always been considered a very progressive and sometimes, you know, responding, we felt, to an immigrant population for the most part, New York State last year for the first time in 7 years increased the public assistance grant. Many of the States had done that within the previous 7 years, but we, for the first time in 7 years, we did it through the low income energy assistance grant. That's the way we got the grant to those people and it was not counted as part of the food stamp—counted as income.

We believe that if we count the low income energy assistance grant as part of the income, this will have a disastrous impact on New York State, in particular, because that is the way we were able to increase, we believe, last year 15 percent to the income recipient and we have 80 percent in upstate New York of our recipients who are over the rental—paying over the maximum rental allowed in New York State for welfare housing. And we have over 50 percent in New York City who are above the maximum ceiling in the State for shelter allowance.

So, we just feel that this feature, in particular, in our own area would have a disastrous impact.

Other nutrition programs, and I believe the one that we feel is one of the most successful, the one that has been mentioned previously, the WIC program, we feel is probably the best dollar spent by Government and we would hate to see anything done with the WIC program.

We recognize the enormity of the decisions that do face your committee. We believe the solution to the problems cannot be resolved within the context of the food stamp program. That is an overall approach and to many of the targeted areas, over and beyond the 1982 cuts that are presently proposed in some other of the means tested programs. But I believe—the questions have been asked what can we do further in the food stamp program, I believe it cannot be solved in the context of the food stamp program, not only to resolve our problem of the deficit, but I also feel that it would wreak a further damage to many, many Americans who basically depend on the food stamp program as a way of maintaining their own families, maintaining a fairly decent dignified life.

It is then, I believe, the question we're about here today debating, is not only what are the mechanisms, but I think it is the more important issue is how do we insure basic human dignity for the American family, to the American individual who is a worker? And I believe that, quite frankly, from our position that it cannot be solved in the food stamp program, and, therefore, we are opposed to any further cuts in the food stamp program.

Senator Dole. Well, thank you very much; I certainly share the general thrust of your statement. I think it is an outstanding program. In my view the food stamp program has served a tremendous need. I think our responsibility, as you suggest, is to watch it, and certainly none of us want to deprive anyone who is in need of the program. I don't. I think I speak for the majority of this committee, and the majority of the Members of Congress, and both parties. We are faced with lot of difficult judgments in trying to lower deficits, bring down interest rates, expand the economy, and make it possible for people to go back to work.

Of course, as has been said before, in my view the food stamp program is sort of an economic barometer. When people are working, the costs are reduced, because there are not as many people on the program. I don't really believe that most people want to be on the food stamp program—they would rather be working. But when people are out of work, as they are now, the cost increases. Somebody from USDA suggested this morning that unemployment had sort of flattened out. So, maybe this is an indicator that we're reaching that plateau in unemployment and maybe we're going to start back the other way. I think you understand that we're trying to find some areas where, if it doesn't do violence to the needs you have outlined, we should move to achieve savings. And there will be some different views on how we should do this. We made substantial cuts last year, and I'm not certain what we can accomplish this year as far as further reductions are concerned.

I have no questions, and I appreciate your statement very much. Senator Hayakawa, do you have any questions?

Senator **HAYAKAWA**. Yes, I do. It's not really a question so much as sort of a philosophical inquiry.

In California, Father, we have a constant flow of illegal immigrants from Mexico and, no doubt, from many other places, as well. They come from Central America, Taiwan, Hong Kong, and all over the world. And they come not only to California, but to the other States of the Union as well. They work in the service industries, and in restaurants, as busboys and bus girls, dishwashers, or janitors. They are also important to agriculture, where they work in the hot sun to plant and harvest various kinds of crops that require backbreaking work.

Now, I can give you one example which can be multiplied many, many times. In September of 1979 I was appealed to by the olive growers in Glenn and Tehama Counties, Calif. I was told that there was no one to pick the olives because the Immigration and Naturalization Service had rounded up 500 illegal Mexicans and deported them just at harvest time. So the organization of olive growers there sent a telegram to the President, the Department of Agriculture, and the Department of Labor. They asked if the Government would legally admit 500 Mexicans to harvest their olives or the crop would be ruined by November 1. It was in late September that the telegram was sent.

Well, they got a reply on December 15, which said that there never had been a labor shortage in Glenn and Tehama Counties. And, in the very important sense, they were right because there were hundreds of people on welfare, food stamps, and all kinds of subsistence programs and receiving benefits in Glenn and Tehama Counties. These people were notified of the availability of this work. One or two of them came out but found it was backbreaking, hard and physically taxing. So after half a day they would quit. However, most of these unemployed wouldn't even come out in the first place. So, they needed to have illegal Mexicans, but the illegal Mexicans had been thrown out.

As a result, the farmers of those two counties lost about half of their profits for that year because those who were able to work wouldn't. And those who were willing to work were not legally entitled to and had been thrown out.

Now, it's all very well to talk about basic human dignity, but the basic human dignity of all of us immigrants, your great-grandparents and mine and so on, for all of us in this room, has been that we start at the bottom of the ladder. And in order to eat and maintain their basic human dignity, they had to do backbreaking work in gathering tomatoes, digging potatoes, climbing trees to get pears down, or washing dishes in the cafeteria. They did it to survive. They sent their children to school and here we are, you a priest and I a Ph. D. All these things happened because they worked at it.

Now, I sound as if I had no compassion for those who are at the bottom of the ladder. But, I feel that it's the other way around, that we are destroying the ability of those at the bottom to get themselves off the ground by keeping them there with these elaborate systems and handouts. There is no motivation for them to go and harvest the grapes and walnuts, mop the floors of the kitchens and make the beds in the motels and hotels. All this is hard work.

In Los Angeles, it is said in all seriousness that if every illegal Mexican were to drop dead tonight or be deported by morning, all the hotels and restaurants in Los Angeles would be unable to operate tomorrow. In other words, there is work to be done; there are hundreds of thousands of people on welfare, food stamps, or other giveaway programs, but no one is willing to do the work.

When Adam and Eve were thrown out of the Garden of Eden the Lord said to them, in the sweat of thy face shalt thou eat bread. And He wasn't punishing Adam and Eve so much as He was telling them to be grown up.

But we are keeping these nonworking welfare recipients in a sort of Garden of Eden and not letting them grow up.

Bishop SULLIVAN. Well, it is the first time I have ever heard welfare being called a Garden of Eden, but let me just say———

Senator HAYAKAWA. But it is in a very important sense that you don't have to work in order to eat. The Lord imposed a challenge on human rights when He said by the sweat of thy face shalt thou eat bread. But, they are not sweating to eat their bread. They just sit and wait for their welfare checks and food stamps.

Bishop SULLIVAN. Well, I guess I have no problem if the Lord is doing that. I have problems when the Government does so and so and sets the same expectations.

Well, let me try to respond and I don't mean to underestimate what you raise as a complex problem because I do believe welfare has, unfortunately, built-in traps. I think it tends to incarcerate people. I think it can have some very damaging effects on the human spirits, effect on the human spirits.

But when you look at who is the population we're talking about on welfare, I look at New York City and then I see 500,000 children, 530,000 children in the city of New York on public assistance. There are a million people in New York City on public assistance and another two hundred and some thousand who are the mothers of these children. Now, for the most part you're talking about somewhere around 75 or 80 percent of the people who are on welfare are either children or below 18 years of age or their mothers. And I just find that that means—the reality is the able-bodied welfare recipient who is, you know, not going out to work is usually a person who has in some ways been very damaged by life experiences, either in growing up on welfare system or going into drugs or into alcohol or having had some kind of criminal background, some kind of experience with the law, but the reality is the number of people that we talk about who are welfare able-bodied are very small part of the welfare roll.

I could tell you, my impression is that in New York City we have somewhat the same situation. We also learn very different cultural expectations.

Senator HAYAKAWA. Sure. We have them all over the ski slopes of California in the wintertime.

Bishop SULLIVAN. Welfare recipients?

Senator HAYAKAWA. Indeed we do.

Bishop **Sullivan**. Well, you must pay high benefits because in New York City it costs about $35 to go onto the ski slopes.

Senator **Hayakawa**. The point is that whether they are on welfare, unemployment, or whatever, they are voluntarily idle.

Bishop **Sullivan**. Can I just give you an example. The President mentioned recently about the number of jobs that appear in the Post, you know, the Washington Post and people don't apply for them.

We had an agency in New York City that did a review of the New York Times from about November on, every day, reviewed every want ad in the New York Times. And they found out, out of something like 29,000 jobs that had been listed, 1,300 were what you considered entry level jobs, not requiring a high school education. There were 29 applications for every one of those jobs. They did a call back of every agency that posted the jobs and they inquired. There were 29 jobs—I find that we have not lost the work ethic in this country. I think any time in New York City when somebody puts up a job opportunity the lines are incredible. When they open up a civil service job and people go down and take the exam, the number—and I'm talking about minority people in the city of New York—many of them, you know, on long term——

Senator **Hayakawa**. You're talking about civil service jobs and sit-down jobs indoors, not those out in the hot sun.

Bishop **Sullivan**. Well, I wouldn't want to work in the hot sun.

Senator **Hayakawa**. Well, who does?

Bishop **Sullivan**. Well, I have forebearers that did the Erie Canal in New York, but I don't know that in the second generation, third generation people want to dig the ditches, that people want to do that kind of work.

Senator **Hayakawa**. What's the difference between the first, second, and third generation?

Bishop **Sullivan**. Well, I hope education makes a higher expectation, higher level of skills and higher level of performance. I am not trying to put down the question you raised. All I'm saying is that the reality, in fact, is that the vast majority of the people who are receiving public benefits, particularly on welfare, AFDC, are mothers and children. I don't know where you get the work force from that group. It's the ones who are coming off the welfare rolls, growing up, as most of them do eventually come off the welfare rolls, that they have not lost their incentive to enter into the mainstream.

In New York City the great and more serious problem that we have, 40 to 50 percent of Spanish and black kids in New York City are unemployed, 40 to 50 percent and I'm saying is that because they don't want to work or is it because there isn't a work opportunity?

So, I feel that we have major, major difficulties and I really don't believe, quite frankly, that providing benefits to insure human dignity by itself destroys the work incentive. I think a lot of other complex factors that enter into that, but I hope that in the work program where we're talking about food stamps and making it possible for young mothers, you know, to raise their children, to have them born healthy, to have them in some ways given decent food at an early age, we're saving the future generation. It is the one area, I think, if we want to look at it very carefully, the best dollar spent in I believe all of Government at the present time is in the WIC program for helping young mothers to raise their children.

Senator **Hayakawa**. I'm very supportive of the WIC program. But for every WIC program that's necessary, there is a father who has deserted the family. He is not meeting his responsibility.

Bishop **Sullivan**. Well, you know, I didn't come here to bring absolution today. But I do believe, you know, that sin doesn't exist all in one place. And I really believe that there is a great need in this country for turning around its economic realities to offer real opportunities for real jobs for a lot of people. And I'm hoping that in the epic that you hear in the Senate and the very serious problem of trying to turn around our country and the economy, that you will really look at the poor people, really not with a distant eye, but as human beings who suffer greatly and who basically have the same aspirations, but don't have the same opportunities.

Senator **Hayakawa**. Well, my father started in this country as an immigrant kid, a houseboy. He scrubbed plenty of kitchens and peeled plenty of potatoes. He went to high school at night and did all of the things an immigrant kid does. There are Vietnamese, blacks, and all sorts of people who do the same things now and they take great pride in the fact that they don't go on welfare. They don't take food stamps.

There are whole religious groups, like the Seventh Day Adventists and the Mormons who never go on welfare. Somehow or other they manage to escape it. But there is a population who constantly fall back on the taxpayers, so that it becomes a way of life for millions and millions of people. And, there is a whole class of, should I say, social philosophers who encourage that way of life.

Bishop **Sullivan**. But I must say, certainly, in our goal with our point of view, in terms of preserving human dignity, in whatever help I think we're trying to make available to people by public policies, certainly we would agree it is not to undermine ambition, not to undermine the work ethic, not to undermine people having aspirations to be independent. I think the concern we have is that when Government makes policies that by themselves are perceived and experienced by poor people as being anti or negative or hostile toward them, I think it only drives them further into a so-called—it drives them further away from the society.

Senator **Hayakawa**. Have you ever had the experience of hiring a 19-year-old boy, who is not experienced in anything, and, when the first thing he has to do is sweep the floor and the sidewalk in front of the store he says "that's beneath my dignity" and walks off? He prefers to go back on welfare. This happens every day to employers.

Bishop **Sullivan**. Well, you know——

Senator **Hayakawa**. And their concept of human dignity does not involve work.

Bishop **Sullivan** [continuing]. Well, I think if we want to argue not the practical case example, but the philosphical issue, you and I think would be basically in agreement that the most work has dignity to it. I mean I believe a part of work in supporting yourself has a dignity to it. I hope that it in some ways, that the work is measured according to people's abilities and talents and experiences. We don't live in a perfect world and I suspect that most people don't work in jobs that they are even happy in. But I would agree with you that in the way to break into the mainstream many times people have made great sacrifices to do things which they didn't think was great or dignified work, but they did it. Maybe there is some element where some people don't accept that today and figure it's beneath them. I don't think you and I would agree with that perception of a person breaking into the work force not being willing to do even a tough job if it was a matter of breaking in and moving up.

But I'm just saying let's not get a public policy that in some ways depresses and holds down people and does the very thing you don't want it to do, depresses ambition.

The **Chairman**. Well, Bishop, I appreciate this. I don't want to interrupt this discussion but I have——

Bishop **Sullivan**. Let me tell you about my father.

Senator **Dole**. Right. And we have six other working people who would like to testify. Thanks very much.

Let's see, Michael Reagen, Commissioner, Iowa Department of Social Services, is next, testifying on behalf of the National Council of Public Welfare Administrators, along with Sammie Lynn Puett, Commissioner, Human Services, Department of Public Welfare, State of Tennessee.

You may proceed in any way you wish. I hope that you can summarize your statements and comment on the highlights. We have two other panels, and we hope to finish by 5 o'clock. So, I don't know which one of you wants to go first. Do you have an agreement?

STATEMENT OF DR. MICHAEL REAGEN, COMMISSIONER, IOWA DEPARTMENT OF SOCIAL SERVICES, DES MOINES, IOWA

Dr. **Reagen**. Yes. Let me begin and I will try to be brief.[1]

My name is Mike Reagen and I'm the Commissioner of the Iowa Department of Social Services and, Senator, as you know, that's an umbrella agency, so we're responsible for all public welfare, child welfare, mental health, as well as correction services in Iowa. And I'm here today as the chairman of the Food Stamp Committee of the National Council of State Public Welfare Administrators. I appreciate the opportunity to be with you and represent the council.

As you know, the council represents officials who have direct responsibility for human services, including the food stamp programs in the 50 States in the territories and the District of Columbia. And everything that you're focusing on is directly relating to the work that we do. And we hope that some of the observations that I will share with you on behalf of our committee, of that council, may prove useful to you.

The costs and participation in the food stamp program have risen dramatically over the years, largely in concert with deteriorating economic conditions. The fact that the program has been able to respond quickly to demonstrated need for food assistance in these circumstances, we think is a measure, as has already been said here this morning and this afternoon, of the program's success. Yet, as the need for food stamps has increased so has the need to expend greater efforts to monitor the growing commitment of public funds to the program.

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[1] See p. 196 for the prepared statement of Dr. Reagen, and p. 341 for answers to questions asked of Dr. Reagen by Senator Helms.

As public administrators, our responsibilities include not only providing services but also promoting and encouraging efficient and effective program management. We have been on record time and time again in support of congressional actions designed to control program costs and to eliminate waste, fraud, and abuse in food stamps. And on April 2, 1981, our former chairman, Dr. John Dempsey of the State of Michigan, stated our support for a number of provisions including gross income eligibility standard, the repeal of the scheduled 1982 increase in medical and dependent care deductions for working adults, and elimination of the outreach requirement. We endorsed these changes in the interest of balancing the need to contain spending with the necessity of continuing to provide for the Nation's hungry.

Rising unemployment and a sluggish economy have increased the need for human services, while the administration and the Congress attempt to hold down escalating Federal costs which are hindering our economic recovery. We urge the subcommittee to be mindful of the effect on our young and elderly and disabled and working poor, who in many cases lack the means to withstand deep cuts in the food stamp benefits. New proposals put forth by the administration in its fiscal year 1983 food stamp budget, we believe, may seriously reduce the program's ability to meet the nutritional needs of low-income people. You should also know that they come on top of, obviously, cuts that have already been experienced in the Omnibus Reconciliation Act, which, for example, in Iowa, have reduced the cost per benefit ADC recipients who receive food stamps and, very frankly, assuming that Iowa will experience a proportionate cut of the administration's proposed $2.3 billion dollar new food stamp cuts in fiscal 1983, we will lose $28.8 million in our State. We can't afford that.

If, indeed, other calculations that indicate a $2.8 billion instead of a $2.3 billion cut is envisioned by these changes in the program, that would mean that $35 million hit for the State of Iowa. We have about 1 to 1.5 percentage of any program in the country. We can't afford that either and neither can our people.

Senator DOLE. Right. I wonder, rather than reading to us everything from here on, can you highlight what you are pointing out?

Dr. REAGEN. All right. Our specific position——

Senator DOLE. What you're opposed to.

Dr. REAGEN [continuing]. We're opposed to increasing the benefit reduction rate from its current level of 30 percent and the reason for that is in the testimony.

We also oppose counting energy assistance as income in determining eligibility and benefits for the reason so stated.

We support giving States the option to require employable food stamp applicants to search for jobs during their applications or when they are being processed and the issue there is optional.

We are opposed to requiring States to reduce errors to zero under the 1986—by 1986 under the threat of fiscal sanctions for the one and a half pages so stated in the record.

And we do, however, also have some recommendations. We believe that costs can be contained and we believe that some program reform is needed and specifically we would respectfully request that you consider some of the following: Exclude from expedited services households with income in excess of $85 a month and limit the designation of destitute to households of migrant and seasonal farmworkers. We would favor giving States the option to require job search at the time of application. We would favor allowing States to grant automatic food stamp eligibility to AFDC recipients. We would argue for simplifying the administration of deductions to reduce errors, and we would argue strongly for developing common definition of resources and income and AFDC and food stamps.

And, again, this will be in the record so the action is now so submitted.

Senator DOLE. Now, what would your recommendation save? Do you have any idea what—if there are any savings involved in any of those?

Dr. REAGEN. There would be, Senator. I don't have the exact figure with me. We could provide that to you, be happy to do that, and attempt to do that shortly afterward, if that is all right.

Senator DOLE. That would be helpful, and, again, we would be happy to hear this later on, perhaps in April when we have hearings on the so-called New Federalism. I assume you will be having some input on that. The Governors are in town, including yours, I suppose.

Dr. REAGEN. Yes, sir.

Senator DOLE. Sammie, maybe we can hear from you and then we will ask some questions, if that is all right.

STATEMENT OF SAMMIE LYNN PUETT, COMMISSIONER, HUMAN SERVICES, DEPARTMENT OF PUBLIC WELFARE, STATE OF TENNESSEE, NASHVILLE, TENN.

Ms. PUETT. All right, thank you, Senator. I appreciate the opportunity to appear again.[1]

I think it is obvious that last year this committee, as well as members of USDA, listened to what State representatives had to say about reforming the program and have taken some hard—made some hard efforts to do that. And I certainly want to applaud that.

Today, I would like to urge you to continue to reform the program in some very specific ways. I would join my colleague, Dr. Reagen, in also urging you to alter the proposed 3-2-1 error rate reduction, which is certainly unreasonable and to comment very briefly on what you have just said, the proposed Federal/State SWAP program.

I do think that the reforms that took place last year are an important first step in reforming the out of control food stamp program. I would suggest that there are many more things that need to be done and I would relay that to you from eligibility workers across the State of Tennessee, who every time I visit one of our offices, tell me that the reforms have not gone far enough—that additional changes are necessary if the program is to achieve its purpose.

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[1] See p. 201 for the prepared statement of Ms. Puett and p. 208 for answers to written questions subsequently submitted by Senator Helms.

These are workers, I would point out, who are committed to helping meet the needs of the less fortunate of our society, but they have strong beliefs that current regulations permit many persons to continue to qualify on bases other than genuine need. It's their wish and mine that eligibility criteria and regulations be further tightened and that the resultant savings be channeled into improved benefits for those who remain on the rolls.

As members of this committee, you may already be aware of what I consider one of the most important works that I have observed or read or studied in my 3 years as a State administrator, and that is this food stamp regulatory review report, which was completed by a special task force. The task force was made up of 58 State and local administrators and 44 FNS staff members during four week-long meetings that were held across this Nation during the months of November and December. This report contains 112 recommendations for regulatory changes and 22 recommendations for legislative changes.

If you have not studied those, I would urge you to do that. I think this is the first joint effort between State and local governments and the Federal Government to try to make a comprehensive examination of the food stamp program. The task force brought all levels of government into a partnership to recommend needed reforms.

While the task force report is comprehensive, there are three other items that I would mention to you briefly to which you may wish to give legislative attention. The first concerns the replacement of food stamps and ATP cards. I mentioned this last year; and as I recall, there was considerable interest on the part of the committee. It is a fraud-prone regulation of huge proportions. It was my opinion then and it is my even stronger opinion now that coupons or ATP cards should not be replaced at all. Current regulations permit them to be replaced twice during any 6-month period, and abuse has reached epidemic proportions. I would urge the committee to prohibit coupon and ATP replacement and serve those whose stamps are legitimately destroyed through the emergency food programs that are in operation in every State.

It's my strong belief that once replacement is made in the form of food or commodities, the number of replacement requests will dwindle.

Closely related to this concern is the matter of negotiability of food coupons. USDA is studying the possibility of a card transfer program. I would encourage you to encourage USDA to give high priority to this because as long as food stamps are negotiable instruments, we will never be able to eliminate fraud, no matter how many investigators we hire.

The third item is a needed correction for a new regulation that disqualifies recipients for fraud. In some instances the result of that disqualification has been an increase in the household allotment. That certainly was not intended. There is a chart attached to show how it happens and I would suggest that we correct it. I would also suggest that consideration should be given to earlier permanent disqualification. At the present time a person is permanently disqualified only after the third fraud conviction.

I might add a fourth consideration that you might wish, which is not in my testimony, but in hearing the other comments and discussions today it is perhaps something that I should offer. That is the possibility of a limitation on the length of time that an able-bodied adult could draw food stamps. We limit the length of time that persons can draw unemployment benefits, but we do not limit the length of time that persons can draw food stamps. This would address lack of incentive to work that has been so much discussed today.

Finally, I want to—I feel compelled to comment on the President's recommendation to combine AFDC, food stamps, and medicaid administrative costs and cap them at 95 percent of the current funding level. We don't have any objection to combining them, but it is a fact that all of the changes that are taking place, including monthly reporting, extensive additional verification, all of these efforts cost additional administrative dollars. This is not the year to cap administrative costs.

I would propose that States be given the opportunity to get all these changes in place before we start cutting back on the money that it will cost them to make the changes.

Let me comment only briefly, because I think it has already been mentioned, the opposition which I think any State in the Union would have to the unrealistic limitation of a 3-percent limit on AFDC, food stamps, and medicaid error rates. I think it's important, particularly in the food stamp program, to recognize that the food stamp program is a Federal program. The Federal Government really can't absolve itself of the responsibility of what's wrong with the program. We in the States can't do anything without getting permission from USDA to do it, and for USDA then to say, well, you have to do everything we say, but then it's your fault if it doesn't work out well, is a bit unrealistic, I think, and perhaps naive.

But perhaps more important than this, is the fact that more than half of the errors in the food stamp program and two-thirds of the errors in the AFDC program, are client errors. They are not agency errors. We control to a very limited extent our client errors. We can do only so much interviewing and verification to insure that we have all the information and accurate information, but so long as we have clients who give false information or who withhold information, there is no way that we can hold error rates down and reduce them much below where they are now as far as clients are concerned.

I have no problem being held liable for agency errors. I do have problems in saying that we should operate flawlessly. Certainly a zero percent error rate, which is proposed for 1986 is not tolerable. I do suggest that there should be a statistically valid percentage rate that could be set and which would apply only to agency errors, not to client errors. Otherwise, to try to hold States liable for the total amount of errors caused by both agencies and by the clients is unfair and inequitable.

Finally, let me comment ever so briefly on the proposed swap of programs. I want to do that because as you probably are aware, it was *Tennessee Governor Lamar Alexander*, who last August recommended that the Federal Government take over medicaid. But he proposed that the States be given in return education and transportation, which would more nearly have balanced, at least in the State of Tennessee, the amount of revenues involved.

Although he did not propose to swap the AFDC and food stamp programs, we certainly will keep our minds open about such an exchange because we strongly believe that the worst decision that could be made would be to leave those two programs jointly administered, as they are now. We urge the Congress to debate not whether we should continue as we are, but whether the Federal Government or the State government should operate these two programs. Nothing is gained by having two levels of administration except added bureaucracy, added administrative costs, lack of accountability, and lack of control of costs. There is no way the Federal Government can control the costs of these programs if it leaves certain decisions to the States. There is no way the States can control the programs if the benefit levels and administrative procedures are mandated by the Federal Government. Both lose control when they lose control of policymaking and administrative decisionmaking. There are both advantages and disadvantages in operating these programs at either the State level or the Federal level. We have this year to sort out and determine which level of government can best administer the program. We then should see that that level of government has the resources to streamline the program and return the dollar savings to improving benefit levels of the same programs or other needed social service programs.

It surely is the first time that we have had a chance to look at the full range of social programs that have been created to meet a wide range of needs. Each was created in a different way and usually without regard or relationship to other programs. In all the testimony today there have been numerous references to all of the other programs and how they relate to each other. I don't know that a total assessment of how all those programs relate has ever been made. We have cut people up into so many different ways to get food stamps, medicaid, AFDC, public housing, energy assistance, day care, other kinds of social services. There are all kinds of places to go to put together a package, and we need to look at that and put people back together again as a family and as individuals, rather than piecemealing them among Federal and State agencies.

I hope we will accept the challenge that we have to do that this year and thereby serve the needy of this country much more effectively.

Senator DOLE. Well, let me say, as I have indicated, we are going to have hearings in April, if the New Federalism legislative proposal is before us then. I think the input is good. I think the charge we will hear from those who have already made up their mind on the New Federalism is that we are more sensitive to the needs of the poor at the Federal level than you are in Tennessee or Iowa, and I don't share that view. I was a State legislator and I found the people there just about as compassionate and sensitive as many here, who are a long way away from the problems. I hope that we don't get covered up with that argument. There may be other good reasons to oppose it, but I hope we don't suggest that you folks out there who operate the programs are heartless, and that we have all the compassion here in Washington. The argument has been made by some that we don't want to change anything, but I have faith in our people in Kansas in both parties, and I think, as far as I know, the same holds true for Tennessee and Iowa.

Senator Leahy had a couple of questions he wanted me to ask. The administration's cost estimates assume that States will be able to reduce food stamp error rates from the current 10 percent to 3 percent by October 1, 1982. You have already addressed this. Is this plausible, and how would the administration's proposal to reduce administrative funding affect the State's ability to reduce error rates? I think you have each commented, but if you want to add anything to what you have already said——

Dr. **Reagen**. Well, I don't think we can do it. I don't think we can do it the way the system is presently constituted. I also think, frankly, in all due respect, it's kind of a fallacious goal. At least in our own State we have had a relatively good record and in all three programs.

Senator **Dole**. What's the error rate now in Iowa?

Dr. **Reagen**. It's about 9.52 percent for food stamps. We're third in the Nation for AFDC, 3.8 percent, and we're about 6.8 percent for medicaid. That's markedly down from the past several years. The bottom line, as has already been mentioned, is you must differentiate the kinds of errors that are created and the system that produces them. At the same time we're getting a double whammy, the projections of capping the expenditures would lead us to believe that perhaps in 3 or 4 years we might have a 26-percent reduction in the administrative dollars, at the very time when you're trying to reduce errors to zero. It's just not practicable.

Senator **Dole**. But the error rates—I'm just trying to think of some program where the State has more financial responsibility than they do in a program like food stamps.

Is there any incentive for you to look for errors in the food stamp program?

Dr. **Reagen**. Well, there's an incentive.

Senator **Dole**. You don't pay any of it.

Dr. **Reagen**. We share the administrative costs. The program is a hundred percent Federal, but there certainly would be, I would argue, no incentive whatsoever for the States to try to cut error rates as the program is presently constituted with the administration's proposals. This wouldn't work.

Senator **Dole**. But are these rates, the 9.52, comparable with State programs where there's——

Dr. **Reagen**. No, at least in Iowa, I would say, even where the program costs are more jointly shared, for example, ADC and medicaid, obviously they are higher.

Senator **Dole**. You mean the error rates in those programs are lower?

Dr. **Reagen**. At least in Iowa they are, yes. And that may be true for many places across the country. The point I would make though, I think, is that you just can't impose a—you've got to look, I think, to the point you were trying to make. You've got to look at what the error rate system is, what are counted as errors, what are controllable and what would not be controllable and built-in incentives if it's still to be a Federal program.

Senator **Dole** I think there was earlier discussion of transferring at least a share of the cost to the States so that they would have a little more interest in the program. I understand the States are burdened now, but we are all dealing with the same taxpayers. I hear all the Governors coming back and shedding tears about taxes. How do they think we operate the Federal Government?

Well, I know how we operate it. We have a deficit and you're not permitted to have that in your State. We just keep piling up the debt and raising taxes so that we don't displease Governors. I never ran for Governor, but it seems to me they have got a problem, too.

The **Chairman**. They're the ones that have the limousines, you know.

Senator **Dole**. That's right, they have the limousines and the highway patrol and the airplanes. I keep getting mixed up. They have tax deductions, though. Still, they have got a tough job, don't misunderstand me.

Dr. **Reagen**. I don't think I am going to comment. You wouldn't want me to.

Senator **Dole**. It's a tough job, but I know the Governors. They are my friends, but they come back and say, "fine, you take medicaid, boy that's great!—but we don't want anything."

Well, Lamar did indicate they would take transportation and education and I talked to him about that. I don't think the taxpayers are as confused as the Governors and the Congress people. They know they are paying taxes to somebody. So, we just can't keep shifting the blame from us to the Governors, and the Governors to the Congress.

Dr. **Reagen**. No, I don't think you can do that. I think that you've got to take the perception that there are partnerships and there are certain things that's natural the Government, obviously, should do——

The **Chairman**. Sure.

Dr. **Reagen** [continuing]. And there are certain things that perhaps States could better do. The most exciting thing for me about the President's proposals is the period of time when there would be thoughtful planning together. Now, a partnership does not mean you take something and I take something else, necessarily. It can also mean that we share in a prudent fashion what perhaps are joint responsibilities.

The cross-cutting impact of most of the public welfare programs, including food stamps, medicaid and ADC, is fairly dramatic, it is extraordinarily complex, the rubber hits the road with us because we are delivering those services and the point has already been made today, I think, that there really has not been a very careful look by the Congress or the executive branch as to what those impacts are and ways in which perhaps together we might solve some of these dilemmas.

For my own part, the cross-cutting impact is what is the most dramatic and you can't fiddle with the food stamp program and not expect the deleterious impact on medicaid or ADC. And it's very difficult to get your arms around all of that, but that certainly ought to be done before we talk about a big swap.

Senator **Dole**. Right. I think we've got a lot of work to do on the program, no doubt about it. Certainly the Governors should press their views with diligence, as they are, because they have a lot of good ideas. They are out there trying to administer some of these programs we pass and wonder why they are not working perfectly. So, there is a lot of work to be done.

Ms. **Puett**. I wanted to give a specific example of the sensitivity of States to the use of Federal dollars in the food stamp program, which I can draw from my own State of Tennessee.

We have gone to mail issuance in 91 of our 95—or 92 of our 95 counties, one urban area in particular, and a few rural areas which are highly urbanized but are still not metropolitan areas. In the one urban area we went to we were experiencing a loss rate near 2 percent, about 1.75 percent, which amounted to between $30,000 and $40,000 a month in direct mail loses. Now, those are pure Federal dollars that are being lost and are being replaced. But we couldn't take that level of loss of Federal dollars in our own minds. So, we went to certified mail, cut that loss to $745 last month. But it cost us a little over $1.10 an envelope to do that. The State of Tennessee is picking up the added cost to save the Federal dollars. I mean it's costing the State of Tennessee a lot of dollars every month to save those Federal coupon dollars.

Now, nobody forced us to do that. We did it of our own volition. Because mail issuance losses have increased in some highly urbanized rural areas, we have gone to selected certified mail. One of the task force recommendations is that the Federal Government pick up more of that certified mail cost, which is now shared 50-50. But at least we in Tennessee felt that those losses may be Federal dollars, but they came from Tennessee taxpayers and we were just as sensitive to the fact that we expected Tennesseans' Federal tax dollars to be well spent as carefully as the State tax dollars.

Senator **Dole**. Is that the study you referred to? How many recommendations are included?

Ms. **Puett**. There are 112 regulatory recommendations and 22 legislative recommendations, and one of those legislative recommendations is to increase to 100 percent Federal funding for certified mail costs.

Senator **Dole**. Well, has that been made available to the staff?

Dr. **Reagen**. It should be made available to you. If it has not, then we will make sure that it does. This is a joint partnership effort.

Senator **Dole**. But it was just issued, is that it? Just available?

Dr. **Reagen**. Yes, just the past—about 2 weeks ago.

Ms. **Puett**. January 22.

Senator **Dole**. Well, there might be some good areas we need to look at.

Dr. **Reagen**. We would hope that there are some excellent ones.

Ms. **Puett**. They are excellent.

Dr. **Reagen**. And we think it's just a start, frankly.

Senator **Dole**. Senator Helms?

The **Chairman**. Let me ask, I believe the error rate for AFDC is 8 percent nationwide, 5 percent for medicaid, 12.6 percent for food stamps.

Do you have any idea why food stamp error rate is so far in excess of the other two?

Dr. Reagen. Well, I think there probably are a number of reasons. One, is the way in which error rates would be calculated and the differentiation between what would be a procedural problem, a ZIP code problem, the client error. So, I think that's part of it. I think the mail issue, the almost being a second currency, which is unlike medicaid and ADC, is also another problem. And I think probably, frankly, too, there has not been as great attention probably to food stamp error rates as perhaps there has been to the other two programs that you mentioned, because of the program cost being borne by the States.

A third area, I think, is that we tend to focus, although many of the recipients are the same, we tend to focus on what we have in our hands immediately as opposed to perhaps what is more codified at the Federal level. So, those would be off the top of my head.

The CHAIRMAN. Well, in addition to all of that, the courts take a somewhat "boys will be boys" attitude about food stamp improprieties. I know in my own State there has been an extreme reluctance to even bother with them when the law enforcement brings in somebody or a group of folks. The District Attorney says, "well, we've got other things to do." And as a result, I sense that there is a broadening attitude that really nothing is going to happen if you defraud the food stamp program. It's almost a game that they play. And I think we ought to do something about that attitude, and we have taken some steps and we ought to do it.

This morning the Inspector General's Office representative was here and offered the recommendation that the expedited services be eliminated. Now, a lot of caseworkers and investigators have made the same sort of recommendation. They say there is an obvious, extensive amount of fraud in the expedited services.

I wonder what your attitude is? Maybe you covered that before I got here.

Senator DOLE. Generally Mr. Reagen discussed it, but not quite as broadly as they did. They would eliminate it all together. I don't think you would go that far with it, but——

Dr. REAGEN. No. We would be in favor of curtailing it to a degree and also having more State options.

I must say, if I may, about the statement that you made, the comment you made about the courts or law enforcement. There are dilemmas in welfare fraud and in prosecuting individual cases where the dollar volume, individually, per case is not terribly great, whether that being medicaid or ADC or food stamps. And the tendency, naturally, is to go where the aggregate dollars are.

The second currency aspect of food stamps creates a problem in terms of organized efforts. I will say this to you, that our experience in Iowa over the past couple of years and right now, as a matter of fact, the Federal officials in assisting us to go after organized efforts has been excellent. But it does take a marshaling of forces and it takes a focus and it takes a thrust. There are perhaps a number of things that could be done to curtail, if you will, this second currency aspect of food stamps and that might be something that might be interested in a second discussion.

The **Chairman**. Did I hear you correctly to say that you advocate leaving it to State discretion?

Dr. **Reagen**. Yes.

Ms. **Puett**. Could I comment——

The Chairman. Sure.

Ms. **Puett** [continuing]. On the expedited services. I think there are probably not many other single actions that would do as much to improve the day-to-day administration program as the total elimination of it. I think it's important to say that because in the month of October, that's the last month for which I have complete figures, 55 percent of our cases were handled by expedited service. And the other 45 percent that were left were handled within 10 to 15 days, nearer the 10-day margin, because we try to get all of our cases on the computer by the 15th of the month.

Further, certainly in the 91 of our 95 counties that are outside the four large urban regions, our workers are able to identify those people with critical needs and see that they have emergency food or get their stamps as quickly possible. I think the streamlining that could be accomplished by the elimination of expedited service would be reflected in numerous ways.

The one other thing—and I think it does contribute to part of the error rate problem—that I think contributes to the difference in error rates among the three programs is the limitation on permissible verification in the food stamp program. Now, some of that is being loosened up a little bit; but when we are able to contact only people who food stamp recipients tell us that we can contact, we find that people have gotten their stories straight before we contact them. We don't have those same limitations in AFDC and the medicaid program.

One of the answers to why there is such a difference in the error rates of those three programs is the way the food stamp regulations are written. The task force report addresses many of these regulations to eliminate people who shouldn't be on the rolls in the first place. We have advocacy groups who coach people what to say when they come in our offices. They know exactly the words to use to give us the right answers. Our workers know it, but there is nothing they can do about it.

And later when our quality control person goes out and reviews the case, she confirms our suspicions. QC staff are required to go three extra miles from the distance our workers can go in verifying eligibility. Workers are prohibited from certain verifications at the time they determine eligibility.

There are just some things in what we require on the front end that needs to be brought into line with what is required on the back end eligibility determination.

Dr. **Reagen**. Senator, if I may, we would recommend excluding from expedited services households with $85 a month, more than that, and limit the designation of destitute to migrant and seasonal farmworkers, and we have the rationale for that in the testimony that we have provided.

You say these recommendations have been available for 2 weeks?

Dr. **Reagen**. Well, we're talking about two separate things, I think. One is an effort by the Food and Nutrition Service with the National Council of State Welfare Administrators across the country over the past 3 or 4 months, to look at regulatory reform. And that is correct that that report, we reviewed it and they have, and we have shared it with them and they with us, and I'm assuming that through regular channels they will be sharing that with you.

We're excited about that and we would also argue that there—that we'd like to go on, we'd like to work to the next step, which we were looking at some of the larger issues and that is what we've been, the proposal that we have been referring to.

The CHAIRMAN. Have you provided copies of that to the USDA?

Dr. REAGEN. Well, we worked out a jointly——

The CHAIRMAN. I see.

Dr. REAGEN [continuing]. So they have copies and I would assume they could make them available to you. If not, we will go back and get them for you.

The CHAIRMAN. What would be your reaction to permitting those States wishing to use the AFDC assets test for their food stamp system?

Ms. PUETT. We have a very tough standard in Tennessee. It would make a major impact on the program.

The CHAIRMAN. Well, I guess what I'm getting at, if you had the same thing the administrative complexity would be reduced, or would it?

Ms. PUETT. I think anything we can do to make eligibility criteria uniform should take top priority. We have the situation now where the same automobile is treated one way in the food stamp program, another way in AFDC, and still another way in medicaid.

The CHAIRMAN. Yes.

Ms. PUETT. The same automobile and the same family. It doesn't make any kind of sense at all. If the eligibility criteria, certainly in the area of resources, could be made uniform, that would go a long way in reducing the difficulty of determining eligibility and probably insure more accurate determinations.

The CHAIRMAN. A lady caseworker in North Carolina told me over Christmas that if you tried to figure out what I'm supposed to do right, she said you would pull your hair out. I said, well, I don't have much left to pull out. It must be awfully confusing.

What would you feel or how would you react to a proposal to have the States provide 10 to 15 percent of the benefit cost?

Ms. PUETT. Of the food stamp program? I'd better not speak for my Governor and the State legislature on that issue.

The CHAIRMAN. Well, the Governor would say I have stopped preaching and start meddling when I mention that. But Mary Jarratt mentioned that as a possibility this morning.

Ms. PUETT. Well, I go back to what I said earlier, I think one of the problems in all of these programs is that we've got too many irons in the fire trying to administer them now. I would much prefer to decide which level of government could best administer these programs and turn it over. Because as long as both of us have our hands in the pot, we have double administration, double administrative costs, double bureaucracy, double everything. If we could determine that the Federal Government could best do the food stamp program, and the States could best do the AFDC program, we'd save layers of administration and reduce costs. The only difficulty with that is, then we've got two different sets of regulations for programs serving many of the same people.

The **Chairman**. I didn't add the rest of Ms. Jarratt's, you know, speculative proposal, and that was to reduce the State's 10 or 15 percent or whatever it turns out to be as the error rate declines. And that would be an incentive for the States to really police that.

Dr. **Reagen**. May I comment?

The **Chairman**. Yes, sir.

Dr. **Reagen**. One, I think that most State administrators would not be in favor of the States picking up 10 or 15 percent of the program costs. I think that we would be in favor of trying to achieve as much compatibility among the programs, for example, ADC regulations, where perhaps nearly half, at least in Iowa, people are food stamp recipients. However, there has got to also be some accommodations for people who receive other welfare programs who are eligible for food stamps or who are food stamp only people.

So, simplification of the program would be very helpful and compatibility would be very helpful. Additional program costs, no. More flexibility, more State options. The bottom line is that we administer the food stamp program now. But all the policies on how that shall be administered are set here in Washington. And in all due respect, they are repeatedly changed almost every year, which to your caseworker, if you will, in Carolina, that is a mess. Because their new directives are coming out at every point in time. Charging me 15 percent for the option of the program and then trying to go after my error rate is not going to be terribly helpful. But just as we think we put together the best and the brightest in the States to work with the food and nutrition service over the past several months to produce that document that was just shared with you, we would be willing to put our money where our mouth is, our own nickel, and have people sit down and visit to put together a decent, intelligent error rate formula that differentiates between technical and client errors and focuses in on the kinds of errors you are really interested in. We would be willing to do that. We can't have it—the point is, I guess you can't have it both ways. And a flexibility, a compatibility among programs and working together to look into the larger issues, we think we can do that and we would be willing to do that with the Federal Government.

The **Chairman**. One final question, Mr. Chairman, and I appreciate your patience.

Last year, as you know, we established a daily prorating for applicants in the first month of participation, right?

Now, some caseworkers, a number of them, have written to me suggesting that we should extend this principle of prorating to recertification since so many recipients do not apply to renew their participation until late in the month.

Does that make any sense?

Dr. **Reagen**. Well, for my part, I think the proration made sense and I think that a logical extension to that might be recertification. So, I don't—I wouldn't and I don't know that the members of my committee would have any problem with that.

Ms. **Pufitt**. I think the expedited service elimination would get at that problem. Some recipients wait until the end of the month to apply, so that they can then come in and qualify for expedited services. They miss their appointments purposefully.

The CHAIRMAN. Thank you very much.

Thank you, Mr. Chairman.

Senator DOLE. Well, regarding the expedited service position, my understanding is that was going to be applied sparingly to some exceptional cases, but apparently if you're saying, what, 55 percent——

Ms. PUETT. 55 percent.

Senator DOLE. Obviously, we were mistaken and we ought to change whatever was done. If everybody is going to be expedited, it seems to me you're delaying other people in the process. I assume they get pushed to the back of the line—it's like standbys on an airplane. But perhaps that is focused on in your report, in addition to your testimony, is that correct?

Ms. PUETT. This report recommends an extension to 7 days. The chairman of the task force says he doesn't think that's sufficient. I believe he says this in here.

There was strong feeling by some committee members that it just ought to be done away with. I think when you look at the fact that if Tennessee's example is typical, and I don't know whether it is or not, that we certify everybody within 10 to 15 days anyway. And we can certainly, and do, refer people, even though they get expedited service, to emergency food programs. Then everybody is going to get their stamps within a very short period of time anyway.

The CHAIRMAN. Is the impact of last year's program in your State, where you know what's happening, as bad as the media suggested it is? I mean I watch the television and I begin to think everybody has been bumped out of the program. Is there anybody left in the program in Tennessee and Iowa in the food stamp program? I watch Dan Rather tell me how bad it is every night.

Ms. PUETT. We have the ninth largest caseload in the country. Our caseload went from a high of 268,000 cases to 242,000, about 20,000 cases, and in the month of December, that's the last month I had figures for, we have 649,000 people. That's about 50,000 fewer persons than were on it at the peak of last year. And this is the month that case loads normally go up. So, there have not been as many persons removed. They are on there more as members of households rather than as separate households. The separate household concept has altered the way people get food stamps. Some instead of getting their own separate allotment, which is a higher allotment, they get it as a member of the household in which they live, which increases the total household allotment, but it's less than an individual's.

Senator DOLE. So, the program is still operating in Tennessee?

Ms. PUETT. We're distributing about——

Senator DOLE. I thought it had been abolished. All I do is watch the news.

Ms. PUETT. Our workers don't think it has gone down.

The CHAIRMAN. He's not picking at you, he's picking at Dan Rather.

Senator DOLE. I like the way he dresses, his sweater, but it's not Dan Rather. I watch the media and I wonder sometimes what we have been interpreted as doing. I didn't think we had abolished the program. I thought we had just reduced it.

Dr. **Reagen**. Well, for what it's worth, in Iowa, in September, we had 165,790 people; January, we had 174,367. The expenditures were approximately the same, but the benefit, the average coupon per case has dropped.

Senator **Dole**. Of course you had unemployment go up, too, in Iowa?

Dr. **Reagen**. Yes, sir, that's right.

Senator **Dole**. You're up to what, 10 percent? Nine percent?

Dr. **Reagen**. Well, depending upon which one of the figures you want to read, let's say it's roughly about 9 percent, the highest.

Senator **Dole**. So, that, of course, would cause food stamp costs to go up.

Dr. **Reagen**. That's right.

Senator **Dole**. But do you monitor the people whom you say have been eliminated to make certain that somebody who shouldn't have been eliminated can be reinstated? Is there some procedure to check somebody who was bumped by mistake?

Dr. **Reagen**. Oh, yes.

Ms. **Puett**. That's correct.

Dr. **Reagen**. Our impression is that about 600 cases were canceled as a result of the——

Senator **Dole**. 600 in Iowa?

Dr. **Reagen**. 600 in Iowa.

Senator **Dole**. How many counties do you have?

Dr. **Reagen**. 99.

Senator **Dole**. That's five a county?

Dr. **Reagen**. Three million people.

The point is that the people, we believe, who are now receiving food stamps, for the most part, need them.

Senator **Dole**. I see.

Dr. **Reagen**. Particularly with the increasing unemployment.

Senator **Dole**. Well, I'm glad to hear that. How many cases did you lose in Tennessee?

Ms. **Puett**. Well, we were not able to sort them out that we could contribute solely to the cutback, with the seasonal increase.

Senator **Dole**. Yes.

Ms. **Puett**. But perhaps 10,000.

The **Chairman**. You mean 10,000 are starving?

Ms. **Puett**. Our CBS affiliate is also doing a series on hunger in Nashville, and I understand getting irate telephone calls saying that there isn't anybody hungry in Nashville.

Senator **Dole**. I think the point is that there probably are people that shouldn't have been eliminated and we ought to know who they are. However, you listen to the media around here, and you'd think the whole country has collapsed—and there wasn't anything left of these programs.

Dr. **Reagen**. It's a bit too early to make that differentiation.

Senator **Dole**. Right.

Dr. **Reagen**. You know the aggregate stuff, you know there are probably some people who were eliminated that ought to not to have been, and there were some benefits reduced.

Senator DOLE. Well, maybe some day the media will do a balanced reporting effort on the program.

The CHAIRMAN. Don't hold your breath.

Senator DOLE. But, as I said to the Governors this morning, since 81 percent voted for Carter, that's tough.

There is a poll, I might add, that you should read, everybody should read, because it's not done by some right wing group—it was done by a research institute at Columbia University, which is a fairly substantial, credible organization. They surveyed the 250 top people in CBS, NBC, ABC, PBS, the Washington Post, New York Times, Wall Street Journal, U.S. News, Time, and Newsweek, and these are the results: A disturbing majority of the so-called media elite describe themselves as liberals.

I think we have a plane-scheduling problem for a couple of people, so what we might do is call the last two panels. I know one lady needs to catch a plane at 6, and someone else at an earlier time. Maybe we can combine the panels. They all relate to the WIC program.

Who has the first flight? Do you have a plane problem?

Mr. Paterson, I would just suggest to everyone on the panel that your entire statements will be made a part of the record. If you can highlight your statement and give us some time for questions, you may proceed in any way you wish.

STATEMENT OF DOUG PATERSON, DIRECTOR, MICHIGAN STATE WIC PROGRAM, AND CHAIRMAN, NATIONAL WIC PROGRAM DIRECTORS

Mr. PATERSON. Senator, thank you. I appreciate the rearrangement in your schedule.

I have attached the front of my testimony for your benefit, a summary and I will try to stick to those points.[1]

As president of the National Association of WIC Directors, I speak on behalf of them and obviously on behalf of the 2.2 million pregnant, breast-feeding women, infants, and children that are currently being served.

The Nation's WIC directors are firmly opposed to the inclusion of WIC in the maternal and child health block grant. Our major points basically cluster around two major areas, that of funding and that of the need for national policy and direction for inner program coordination.

With regard to funding, basically, we feel the experience of the current year has reflected the effects of blocking, severe cuts to programs in material and child health, family planning, services to migrants and other related health programs have not been made up by most of our State legislatures.

Currently, the MCH block grant requires a match of funds by State governments and it's felt by most of us that if such a requirement were to continue, and WIC were incorporated into the MCH block grant, most States would be unable to meet such a revenue requirement.

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[1] See p. 213 for the prepared statement of Mr. Paterson.

We also feel that even if there were no requirement for matching, the overall affect of blocking would still result in at least a 30- to 40-percent cut in WIC services. This affect would likely be greater as many clinics would not be able to continue to operate at such markedly reduced levels. This would have more impact probably on the rural areas where we find that the need for overall health services in general is somewhat greater.

Regarding the need for national policy direction, we would simply like to make four points.

First, we feel it's imperative that policy direction to achieve the goal of improved health for mothers and children come from the Federal Government. The United States is one of the few nations in the developed world that does not have a national policy for maternal child health.

Second, we feel WIC has proven the importance of nutrition's contribution to the delivery of preventive and therapeutic health services as a whole. We feel that States, if WIC were incorporated into the MCH block grant, regardless of funding, would not continue to support this important nutrition program.

Third, State discretion could also drastically affect nutrition services presently provided to native Americans and migrants. These populations have continually demonstrated their higher risks related to inadequate nutritional intake and associated health problems. Federal support is necessary if such populations are to expect adequate levels of nutrition services.

And fourth, one of WIC's major strengths has been a successful merger of food distribution to health care and nutrition education. Many state WIC directors have expressed concern that the reduction of funds to their States and the lack of direction from the Federal Government on the expenditures of funds, will severely threaten this vital link between food and health.

For sake of brevity, I think one other point needs to be clarified. When we throw WIC and MCH into the same block grant and the funding is somewhat reduced, which is what the expectation will be, we feel that it throws us into an arena of competition for the resources rather than cooperation, which is obviously a large concern when much of the criticism has been the coordination of services with MCH. We don't think either MCH or the WIC program service should be sacrificed at the expense of the other.

We also feel that the ability for the coordination of services is possible at the Federal level and is a matter of regulatory reform and coordination.

Finally, obviously, WIC's continued support has only been possible because we have been able to prove the importance of our contribution on health delivery. Only because WIC has been identifiable and we have been able to evaluate its effectiveness has it's support been possible. To those of us convinced that WIC will continue to prove its impact on health in this nation's children, such identity is imperative.

For these reasons, it is the desire of the National Association of WIC directors that WIC retain its status as a categorical program.

The CHAIRMAN. If I might just ask one question before you have to leave.

I have asked the question a number of times. In addition—of course, there's a recommendation of budget that the funding be reduced, but just let's say the funding is not reduced, are there any suggestions you have or we can add more people to the program with the same amount of dollars? Are there some areas that you noted that could be addressed to reduce the cost of the program as it is presently administered, or do you think it's so tight now that nothing else can be done?

Mr. PATERSON. From an administrative standpoint, I guess my reaction would be that WIC is one of the few programs where we have defined as an administrative cost the actual provision of services. In our regulations and actually in the legislation, the provision in nutrition health services, referrals and so on, are considered an administrative cost and the State WIC directors have found that we have been squeezed very hard to make the administrative costs go as far as they can to even meet the food dollars.

My immediate response would be that inefficiencies may be there. WIC has grown during a period of emphasized accountability over the last 10 years and many of these things, we feel have been strengthened. We feel we have been fairly accountable and efficient.

Senator DOLE. State directors have an ongoing program where they meet and exchange ideas on how to tighten up the program?

Mr. PATERSON. Yes, we do. And, in fact, to try to demonstrate that I have in my written testimony with regard to the need for a regulatory reform, the fact that a task force was called together in August which was predominately State WIC directors, a contingency of us, at which time we made several recommendations for what we felt would help with the coordination between WIC and other programs, and also would allow some flexibilities within our States for better coordination with other health services.

I think it's important and—I need to reiterate that the WIC program has grown while the MCH programs have tended to remain stable, or actually last year were reduced. The intent of WIC is to be an adjunct to the MCH programs and so we feel to throw WIC and MCH, as I stated earlier, into an arena where we are going to be competing for limited resources, we're moving in the wrong direction. Support is needed for maternal and child health as a whole and to the extent that WIC has proven its effectiveness, we obviously would like to see both programs continue.

Many people have said, and I think I can say for the association, that we feel that WIC is one of the best dollars spent in the Government today.

Senator DOLE. Thank you very much, Mr. Paterson. We've got to get you to the airport. Traffic is bad here about now, so we should give you a head start.

Dr. Kotelchuck, I may not have pronounced that correctly. Let's proceed with you, Dr. Graham and Dr. McQueen, in order of your takeoffs. You will be next.

STATEMENT OF DR. MILTON KOTELCHUCK, ASSISTANT PROFESSOR, SOCIAL MEDICINE AND HEALTH POLICY, HARVARD SCHOOL OF MEDICINE, BOSTON, MASS.

Dr. KOTELCHUCK. Thank you very much for having me come and speak today in opposition to the proposed cuts in the WIC program.[1] I wanted to talk today about a research project that we did in the State of Massachusetts that looked at the effectiveness of WIC as a public health program to improve the health status of infants born to nutritionally and financially at risk women.

Most people seem to have a very positive view of the WIC program. I think I was asked to speak, among many reasons, to provide some scientific demonstrations of this positive feeling that people have that WIC is actually having a positive outcome. I will not go through all the details of the study, since it has been submitted, but to try and point out some of the key highlights.

What we did in Massachusetts was to examine the birth outcomes of all women on WIC, who participated in WIC in 1978, who gave birth in 1978, who were on the WIC program. And this amounted to 4,126 women and we compared their birth outcomes to, in that sample, of 4,126 women who were not on the WIC program. Using information from birth certificates on these births and it has provided us information that was collected not as part of the WIC program, but independently of the WIC program that was reliable and stable information on both groups.

This, as far as I know, is the largest study of WIC to date and has the best information and has the tightest control group. It's a problem that has plagued some of the other research to date. What I'd like to do is just sort of highlight some of the key findings from this particular study. And basically this is a study of all women who gave birth in Massachusetts. So, it's a statewide sample, it's not just picking the best few sites.

First, it would appear from looking at the population who gave birth on WIC in 1978, that WIC reaches the high risk target population it is aimed at. In particular, 30 percent of the WIC participants that gave birth in 1978 were teenagers versus only 11 percent of the State as a whole of teenage births. Almost 50 percent of the WIC participants had not finished high school. This is our best measure of social class. Compared to only 19 percent of the State as a whole; 40 percent of the WIC women were unmarried, which I might add, some people have suggested WIC is mostly unmarried women, in fact, that means 60 percent of the people on WIC are married and do have support of their husbands. Nonetheless, 40 percent of the WIC women were unmarried, compared to only 13 percent of the women as a whole in the States. And 24 percent of the program participants were minority, compared to only 6 percent in the State of Massachusetts.

Thus, in general, the program seems to extend to those segments of the population that appear to have the greatest risks for poor pregnancy outcomes.

When you look at the program as a whole, it does appear that WIC is associated with improved pregnancy outcomes. WIC does appear to be a successful program. Every measure that we examined showed small but positive increases associated with WIC participation. I'd like to emphasize three of the main findings.

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[1] See p. 217 for the prepared statement of Dr. Kotelchuck.

First, there was a significant decrease in the number of low-birth-weight infants. There was, in fact, a decrease of 21 percent. I brought up just three quick charts, visually, if someone could just turn those.

Senator DOLE. Sure.

Dr. KOTELCHUCK. This is the percentage of low-birth-weight births in the State, if you compare the WIC to the control, you see that the drop of almost 2 percent in the number of low-birth-weight infants and the WIC approaches but does not yet quite equal the average number of low-birth-weight babies who were born in the State as a whole.

I just want to remind people of the testimony of Dr. Meyer and others about the importance of low birth weight as a risk indicator for subsequent developmental disabilities and a retardation, neonatal death, and neonatal mortality. I think most people really see low birth weight as probably the key outcome measure from the WIC that you would be looking for improvements.

Second, improvement associated with WIC participation in Massachusetts was a decrease in neonatal mortality. We had only 12 neonatal deaths in the WIC program, compared to 35 deaths in the control group. This is a fairly substantial drop in the number of deaths among participants.

I think as other large studies get underway, they will also show similar reductions paralleling the low-birth-weight decrease.

And finally, the other major overall association was that WIC was associated with improved prenatal care. This is a program that is supposed to be not just a nutritional supplementation but also nutritional education and imbeded in a good health care delivery system. So, we found that WIC participation was associated with more prenatal visits, earlier prenatal visits, and almost a 50 percent reduction in the number of women giving birth who had inadequate prenatal care. We were very positive about this finding. Thus, WIC overall appears to be associated with improved pregnancy outcome.

But I think an even clearer picture of the positive effects of WIC emerges when you examine the duration of participation. The longer you participate in the WIC program during pregnancy, the more positive the outcome of the pregnancy was.

Perhaps you could just look at the next chart. It very quickly shows the effectiveness. This is the difference in birth weight between women on WIC and women who are in the control group, and the bottom of the chart says how long they participated in the WIC program from 1 to 9 months.

If you will just divide the chart into sort of thirds, if we examine those people in the program 7 to 9 months, and that was over 1,000 births, that's a fairly substantial number of people, we're talking about a weight increase on the average of 111 grams, which is 3½ ounces. That is a fairly substantial amount of increased birth weight. The average birth—the gestation is on the average increased 5 days longer for the control group. There is a marked improvement in the neonatal care and probably most interesting there were no neonatal deaths among any participant in the program in Massachusetts who participated greater than 6 months in the program.

If you look at the 4- to 6-month group, you do see some improvements but not quite as substantial as those who participated for the longest period and for those on for a short period of time, in fact, there were no significant improvements in the program.

And some of it appear that the duration of participation is strongly associated with positive outcomes in terms of pregnancies. I just might say that from my own point of view it was the duration charts that really convinced me from my own data that WIC was having a positive effect. Since when you examine that group of women, who really participated in the program to its fullest extent, they are the ones who were really maximally benefiting by this program.

Finally, I would just like to say that because of the size of the program we were able to examine subgroups within the WIC population. And it would appear that the improvements in the WIC program are those groups in the WIC population that are most at risk from nutritional problems seem to benefit the most by this program. That is to say, if you look at teenage women they benefit by the program greater than older women, lower educated women benefit more than higher educated women, blacks and Latin women more than white women.

Particularly, there were strong associations between participation in the program for Latin women and for teenage mothers.

Perhaps the next chart will just show this finding of sort of high riskness and best gain from the program. This is a chart that examines the age of the mother and the mean birth weight for a controlled group and for the WIC group. And remember each person has an exact match. So, if you look at women 15 years of age and younger who are giving birth, that is the group that benefited the most by participation in the WIC. The next largest group is the 16- to 17-year-old women, a little bit less for the 18- and 19-year-old women and so forth.

Thus, it would appear that in Massachusetts, those populations most at risk for problems in nutritional outcome are the ones benefiting most by this program.

I might add just as a little aside, if you look at women 17 years of age and younger, that group in the population, which I think most people are most concerned about in terms of problems in pregnancy and terms of outcome of pregnancy, in that Massachusetts in 1978, 37 percent of all women 17 years of age and younger giving birth who lived in areas where there were WIC programs, participated in WIC programs. I know of no other public health program that is able to enroll 37 percent of teenage mothers in any kind of a major public health intervention. The result was that this particular group had a 27-percent decrease in low birthweight infants, had 3½-day longer gestations, started prenatal care 3 weeks earlier and had 1.2 more visits—prenatal care visits. This was a very positive program for young teenage mothers and I think people should pay attention to that.

In sum, let me just say, that we compared 4,126 women on WIC to 4,126 not on WIC. We found that it was a well-targeted program, it was associated with improved pregnancy outcomes, that increased duration of participation increased benefits of WIC and that the positive association between WIC—the positive association with WIC was strongest in the highest risk groups.

I would just like to say that it's worth commenting that this or any other research project probably can be criticized in that it is impossible, given I think ethical constraints of withholding WIC participation from women, to ever do the perfect randomized study that every researcher and myself included, would probably like to see, but there does appear to be a growing body of research that each study, one after another, seems to indicate that the same basic findings, that WIC does really appear to be associated with improved pregnancy outcomes.

I hope you will take this into consideration as you decide the fate of this program.

If I could just add one last quick comment concerning the 2- to 5-year-old issue that has arisen today.

One of the fears I have about studies like ours, which is that it's very difficult to demonstrate as a researcher, that WIC is good. It's difficult enough to demonstrate in the newborn period, but it's even more difficult to demonstrate positive effects during the period subsequent to the newborn period. And I hope people don't misinterpret studies like mine and several of the other national studies that have recently come out to indicate that we think that these studies indicate you should only be focused on pregnant women or the infants. In fact, one of the concerns that I had as the proposal was being discussed for the 2- to 5-year-old cutoff, was that this would change the WIC program to being women/infant program, not women/infant/children. And that we're making the decision basically in terms of chronolgy and not in terms of nutritional risks, and that I wanted to support, I think, it was Bob Greenstein's comment and my own observations from Massachusetts, that the programs themselves at the State level have developed a priority scale for who is in the program and it is based upon nutritional risks. I think that the issue in front of you in a way, in Congress, is to help USDA try and develop appropriate targeting strategies in the 2- to 5-year-old age group, or even in the younger group, to define which group you're really concerned about having participate in a program and which not. A decision strictly on chronology, in fact, would end up cutting off many kids who do clearly need the nutritional intervention during that period.

I might just add that USDA has been cutting back on its funding for research and other kinds of evaluative strategies just at a time when there is the most pressure on USDA to define who should participate and who shouldn't. And I just encourage you to in thinking about the funding issue, to encourage USDA to not lose all of the support staff and others that it has to think about targeting issues more specifically. So, that really we don't come to this same set of hearing next year at this same point with one group like me saying WIC is good and another group saying, gee, I think you ought to cut it off. But there really be some progress in trying to really answer the question of what groups are benefiting very specifically, what risk groups are benefiting by the WIC program and who should be targeted and who should not be targeted. And that some effort really be made in the course of the coming year to look at that problem so that we're not just doing it by a fiat, you know, no 2- to 5-year-old kids.

Thank you very much.

Senator DOLE. We greatly appreciate your excellent testimony. Your entire statement will be made a part of the record. I don't have any questions on your testimony except I would just say with reference to the 2- to 5-year-old issue, I think we were merely speculating. If, in fact, you have *x* amount of dollars and there isn't enough to go around, should we make some changes? Some mothers, infants, and children are not even benefiting at all from the program, because it isn't available where they live.

Dr. KOTELCHUCK. Well, one thing I noticed in my testimony last year in the House and my testimony this year, USDA seems to have a lot of difficulty coming up with the exact dollar figure for how much money would be saved if you made that realinement from the 2- to 5-year-old to the women and infants. I just think that as a practical matter and political matter, that it's a mistake to limit the program up to just 2-year-old children. I would leave it up to 5-year-old children and let the local areas make the funding decisions, given the limited resources. So, that nutritionally needy children in the 2- to 5-year-old category could be covered if funds were available.

Thank you.

Senator DOLE. Thank you very much.

Dr. Graham?

STATEMENT OF DR. GEORGE GRAHAM, INTERNATIONAL HEALTH (HUMAN NUTRITION), AND PEDIATRICS, JOHNS HOPKINS UNIVERSITY, BALTIMORE, MD.

Dr. GRAHAM. I'm a professor of human nutrition and pediatrics at Johns Hopkins University. It may thus seem surprising that I'm here to support cuts in the WIC program. And more important, its disappearance into the maternal and child health block grants to the States.

I have submitted a written critique of the program's origin, it's implementation and the evaluations that have been attempted.[1] The program was born as an understandable response to the 1968 revelations of widespread malnutrition and hunger in the United States, with the equally understandable hope that the poor scholastic performance and the social maladjustment of certain groups, notably the blacks, was due to undernutrition and could comfortably be corrected with supplementary foods, and in the belief that such a program would eliminate premature birth, the single most important cause of infant deaths, and physical and mental handicaps in this country.

Unfortunately, or much rather, fortunately, the hyperbole of 1968 was just that. The 10-State survey of 1968–70, and the more extensive surveys that followed revealed much more overnutrition than undernutrition among the poor. What problems were revealed were either of minor consequence or of an incidence in severity that did not justify nationwide programs.

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[1] See p. 231 for the critique submitted by Dr. Graham.

Even in those areas of the world where severe infantile malnutrition is appallingly frequent, few scientists believe today that the malnutrition itself is responsible for retarded mental development. The weight of the evidence clearly indicates that the cause is in the intellectual and environmental deprivation that almost universally underlies the malnutrition.

It is a cruel deception to encourage our black parents to believe that more or better food is any kind of a solution to the real obstacles their children face on the road to equality. To continue to do so increases dependence and resentment and further postpones progress in training and opportunities for better jobs and in securing the stimulating home environments and preschool education that would allow black children to enter school on an equal footing with white children.

In the underdeveloped world low birth weight is primarily due to past and current undernutrition of the mother. Premature birth is far less important. In this country low "weight for dates" is important, but maternal dietary inadequacy during adolescence and during pregnancy is not clearly established as an important cause.

Premature labor and birth, most particularly among blacks, is a much more important cause of low birth weights and accounts for most of the excess infant mortality in comparisons with other highly developed, almost exclusively white countries. Black race, immature mothers and smoking are clearly established as important causes of premature labor. Maternal undernutrition is not.

In this country one has only to contrast the distressingly high infant mortality of our Capital City with the very low one of Vermont, a State with very real rural poverty, a predominantly white population, and a remarkably efficient health system.

The legislation which created the WIC program specified that supplements were to be provided to pregnant and lactating women and to infants and children who were determined to be at nutritional risk by competent professional authority.

I would interpret this to mean documented maternal undernutrition, previous small-for-dates infants and poor infant or child growth. In some States these criteria have been followed and I do not doubt that proper evaluations of their programs may document benefits from the supplements. I think Dr. Kotelchuck's evaluation is probably the best one that we have seen, although it has many limitations too in the interpretation, as he recognized.

In other programs, probably the majority, nutritional risk has been interpreted very loosely: Merely belonging to a particular social class or ethnic group or living in certain areas. As a result pregnant women who are normal or already obese and infants who were growing at greater than normal rates have been enrolled, often forming the majority of the participants. In these programs any meaningful evaluation is next to impossible, particularly when putting more weight on someone who already has a surplus is counted as a benefit. And this has unfortunately been done.

It would seem that many of our people, both administrators and recipients, have come to believe that Federal programs do not cost anything. Even if this were miraculously true, their very existence can serve to distract our attention and resources away from the real problems of the less privileged.

In December 1979, I testified before this committee in this room, I believe, presided then by Senator McGovern, in favor of the Food and Nutrition Program Optional Consolidation and Reorganization Act of 1979, proposed by Senators Bellmon and Domenici. I believed then, as I do now, that this was a superb opportunity to allow a limited number of States to develop rational and comprehensive alternatives to the proliferation of uncoordinated Federal food programs. I wondered then why the bill did not provide for the eventual possibility of the State deciding, on the basis of careful study, that the amounts being spent on food were excessive, and that some or all of the money should be spent on social work and a coordinated effort to solve problems of families.

In this country the malnutrition of infants and children which is not due to a medical cause, is very seldom due to a lack of food or the resources to acquire it. Overwhelmingly, it is due to social decompensation, neglect, and abuse. Provision of food might be only one, and seldom the most important, remedial step which is needed.

If the Bellmon-Domenici bill had become law we would now be in a position to implement the most effective system developed by individual States in close collaboration with their universities.

There is an important Federal role in the prevention and elimination of malnutrition. Already the Center for Disease Control is backing up efforts by at least 25 States in setting up efficient surveillance systems to monitor the nutritional status of their people and to identify problem areas. Efficient case finding and diagnosis of the causes, as well as coordinated problem solving, should be the role of local health and welfare systems. Where these do not exist, or are inadequate, the Federal Government could and should push for their development, with guidance and assistance in the training of needed personnel.

The Federal Government must continue, and expand where needed, its support of research into the relationships between nutrition, health, and function and this includes the relation of maternal nutrition to outcome, and into the causes of premature birth and other outstanding health problems. This does not deny its role in the control of certain diseases such as smallpox, measles, and polio where coordinated national or even international efforts were and are needed.

Malnutrition in this country does not by any stretch of the imagination have a prevalence which justifies huge food distribution programs which hope by their wide scatter to fall on those who need them. Chances are that many of those in real need will be missed.

Perhaps the most valuable role of the WIC program has been its ability, when coordinated with proper health services, to attract and hold many pregnant women into regular prenatal care, with its known benefits, and infants into regular health supervision. A comprehensive local health system, having access to food and other resources at its command, should be able to do the same. And as a matter of fact, what Dr. Kotelchuck just told us is just that: This is a coordinated health and nutrition program run by a State.

In the proper care of the very sick, the responsible physician makes coordinated use of other specialists, of diagnostic services, and of nurses, dieticians, and social workers. Diagnostic tests are not applied blindly to all patients, and treatment is individualized to the problems of each patient. The nutrition problems of this country of which overnutrition is the most important, vary enormously from State to State and within States. Categoric national programs are seldom, if ever, the solution.

Senator **Dole**. Could I just ask Dr. Kotelchuck a question. You had your control group and the WIC group, with every other factor isolated except WIC. Was WIC the only thing that you measured?

I think Dr. Graham just made a good point. Maybe the importance of the WIC program was getting people into prenatal care, rather than actual nutrition benefits.

Dr. **Kotelchuck**. Everybody who looks at this study, they—I really think if you were a physician, you immediately say, uh-huh, the prenatal care is a little higher in the WIC and that's the reason that we're having all the benefits and the nutritionists say, no, no, no, it's the food, that's the reason we're having the benefits. The study was not designed to look at the specific components of nutritional education, nutritional supplementation and health care as individual parts, but actually as the combined program on terms of outcome.

I have hazard the words "samplisize," I actually can do some analyses and pull out the contributions of the prenatal care. When we pull out the contributions of prenatal care, we basically get quite similar findings, that is to say in our particular State, control for prenatal care does not change, that is to say, prenatal care is not the major factor in producing the improvements.

I think, though—just let me say, that the prenatal care has changed dramatically in the last 10 years. Ten years ago, I think you would have found prenatal care, if you did studies of the same type, you would say prenatal care is probably the most important factor in improving births.

In Massachusetts, now, almost everybody has—70 percent have good prenatal care and another 20 percent have adequate prenatal care. The number of people not having adequate prenatal care and inadequate care is really quite small. So that fact won't turn out to be the major factor in producing results. It would be other aspects in the WIC program in Massachusetts. It may be nutritional supplementation, nutritional education.

I think it's very difficult and I'm really kind of loathe to speculate which part is the most important. Several people, for example, also say that smoking, but smoking is not a recorded item on the birth certificate, so I can't prove which group smoked more. I think many people, many of the nutritional counselors who do nutritional counseling, if they see a woman smoking who walks into the WIC program will say, you shouldn't be smoking, it's bad for the health of your baby. It's the WIC program and not each of the components. As I understand, Dr. Rush from New York is doing a study where he may be able to differentiate these different parts. In Massachusetts we will add those—the WIC program as a whole.

Senator **Dole**. Dr. Graham, I notice in the copy I have, you mentioned the second field study, which is getting wide coverage. You reminded me, I think I did ask the question at that time, and I indicated they didn't really survey anybody scientifically. You indicated they just sort of shopped through the poverty areas in question, and based their findings on mere superficial observation. What would be your recommendations for the WIC program—to eliminate it, phase it out?

Dr. GRAHAM. I believe strongly that it should be incorporated into maternal and child health programs in the States. Not all States are prepared to take it over as well as the State of Massachusetts might be, and I think this is an important consideration which the Bellmon and Domenici bill would have given us a big lead on, allowing some States to develop ways of coordinating these programs into one.

Senator DOLE. Mr. Paterson is gone, so perhaps we shouldn't discuss this without him. I kind of feel, being a State WIC director, he might have a little vested interest in this issue. I don't know what happens to his job if the program is no longer administered separately. The concern he expresses is that programs would start competing for funds in different States, and this good program might not be picked up in every case.

Is that a concern you have?

Dr. GRAHAM. This might be true in some States, but I think that as the program exists now, it could easily be cut in half, in that many, many of the participants do not qualify as being at nutritional risk. And this has been much more true in some States than others. In the Southwest the figures on the enrollees and their nutritional status, for instance, infants, suggest gross overnutrition before they were enrolled. So, that the documented nutritional risk is just not there. They were enrolled because they were there. And I think that we have seen the same thing in the Eastern Shore of Maryland in many areas where there has been a helter-skelter—this has been mostly programs not run by health facilities. And I think that has been one of the big weaknesses where it has not been run by health facilities.

Senator DOLE. Well, let us hear Dr. McQueen, another witness from Iowa, and then maybe we will have a little discussion here.

STATEMENT OF DR. JOHN MacQUEEN, VICE CHAIRMAN, SELECT PANEL FOR THE PROMOTION OF CHILD HEALTH, AND PROFESSOR OF PEDIATRICS, UNIVERSITY OF IOWA, IOWA CITY, IOWA

Dr. MACQUEEN. I very much appreciate the opportunity to testify before you on the administration's fiscal year 1983 budget proposal that would consolidate the WIC program into the MCH block grants.[1]

My professional involvement in public health programs has been primarily with crippled children's programs so I do not have a vested interest in WIC but I happen to believe in it. The MCH block grant programs provide health services for pregnant women, infants and children, who would not otherwise have access to needed health services. And, Senator Dole, I need not describe the MCH programs for you because I know you have been a long and loyal friend. Suffice it to say that the programs in the MCH block grant form the basis for almost all of the public health services provided mothers and children in the Nation. Therefore, when Congress created the WIC program as an adjunct health care for mothers and children with special nutritional risks, the MCH programs appropriately became the chief provider of health services for WIC participants.

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[1] See p. 241 for the prepared statement of Dr. MacQueen.

The degree with which WIC programs and the MCH's programs have been successful in providing health services, as well as food and nutritional services, is a matter of record that has already been discussed.

Turning to the administration's proposal, it is my understanding that the administration proposes to consolidate the WIC program and the MCH block grant and reduce the funding for the consolidated programs by about $300 million, or about 25 percent.

With a cutback of that degree for the new combined programs, something very bad must happen. Either many mothers and infants will no longer receive nutritional services or they will not receive health services. It would be most unfortunate if there were cutbacks in MCH because during the last year they have had a 25-percent cutback in their Federal support and, as a result, they have been required to cut back in the services they provide. So, the State MCH and CC programs that provide much of the health services for the WIC programs have been weakened by the cutbacks and they cannot take further cuts if they are to provide health services for WIC. The funding arrangements for the MCH programs have not been generous as is shown by the chart on the back of the handout.

There is no doubt that one of the strengths of WIC lies in the fact that it requires a health component and if it is to remain strong there must be a strong well-financed MCH.

There are many unanswered questions about how the funds of the proposed new block grant would be spent at the State level. Will the dollars go to more WIC nutritional services or for more MCH services. I agree with previous speakers who say it would be tragic if the decisions about this question results in conflict between the two services. I don't have an answer to the question as to how or who should answer the question but we must remember that the issue is not one of turf but how to provide the best health services for mothers and children. There are administrative problems that would be caused by the consolidation of the MCH and WIC programs. As you well know, MCH has been a grant-in-aid program and so has required State match. In many ways, it has been a block grant program in so far as the States have had a major say in the conduct of the program.

Quite in contrast, WIC is a Federal program—federally directed program and a totally federally funded program. The question can be raised "can these two programs function within one program? You are aware that serious administrative problems arise when basically different programs are required to function together.

The administration's position suggests that there are problems in conducting the programs at the State level and that the solution requires consolidation. The Association of State Maternal and Child Health and Crippled Children's Directors has surveyed its members who are responsible for the administration of the programs and has been informed that the problems are not serious and that when they occur they are caused by WIC regulations. It is the position of the association that the problems can be resolved by simply changing some regulations. We are convinced that we really don't need consolidation to address the problems of administration efficiency.

Finally, I would submit that this is not a good time to make further changes in the MCH block grant that would impose further changes on the State programs. The legislation was only enacted last year. The States are now in the process of trying to respond to the problems. There is need for more time on further reorganization until States have sorted our their present problems and have some experience with block grants.

It is interesting to hear one side of the ongoing debate among nutritionists as to the importance of WIC. It is apparent that not everyone agrees. The medical nutritionists make their decisions about under-nutrition on the basis of evidence of disease caused by lack of food. The social nutritionists make their decisions about undernutrition on the basis of evidence of hunger.

The WIC program hasn't been perfect and much of the data that has been collected hasn't been as clean as we would like. But it seems to me that our position should be that we're for mothers and children. And, that position requires us to support this program that supplies mothers and children who are at nutritional risk with supplemental foods.

In summary, it is the position of the Association of Directors of State Maternal and Child Health and Crippled Children's programs that both WIC and MCH programs are important but that it is not necessary to consolidate them to improve their effectiveness.

Senator DOLE. Well, I think you made a good point on page 4 of your statement, because you did take a considerable reduction last year. This is a new approach and it's going to take some time to see how the present maternal and child health block grant is functioning, without the addition of WIC. I think the thing that troubles some of us who want to support the programs and have supported the programs is that we wonder if we are doing the right thing. Are there things that we should do with the same dollars that would provide more direct benefit? Are we spreading the funds too thin, or are we just trying to bring everyone into the program?

I think Dr. Graham said maybe there are some who perhaps are overnourished, instead of undernourished, while others may be ignored because of the lack of funds.

There might be a conflict in perspective even within this committee. I don't know of anyone in the committee who doesn't want to do something, but we have to make judgments without the technical knowledge that you have. We make political judgments and dollar judgments, and we should listen to the witnesses and other experts, including interest groups.

So, your statement clearly would not endorse a block grant now—maybe not ever, but at least not now, if I am summarizing it correctly. I guess we have rather mixed views on this: one scientific study which indicates that WIC is important, and Dr. Graham who feels that we might be able to reduce the program to some extent.

Dr. **Graham**. I'm a pediatrician primarily and professor of nutrition secondarily. But my main concern is children and I don't—my main concern is that for 13 years we have concentrated on nutrition as a major problem of our less privileged members of society. I don't honestly think it is and I think we have wasted valuable time. I would much rather be sitting here defending Head Start than WIC. That is an extremely valuable program and what's left of it still is, and particularly in areas where we work, Baltimore, Washington, where we have a very large black population with very serious problems, educational problems particularly, and accessibility to the job market. I would put their education way up at the top of the list, and undernutrition in black children in this country is very rare, and when it does occur—it's usually a problem of decompensation of the family, breakup, a very young mother who is not prepared to be a mother, social problems, primarily, call them neglect, abuse, whatever you want to call them. This is where we should be concentrating our efforts. When the issue of nutrition was raised, if you remember the original legislation proposed that the evaluation include an assessment of the effect on IQ. There was the hope that providing more food to our less privileged children would somehow raise their IQ, and that's not a reasonable expectation.

Senator **Dole**. I think we had testimony on that in this committee, saying it would.

Dr. **Graham**. I know, I was one of the first to raise that possibility in the pediatric literature almost 20 years ago that malnutrition, per se, could cause mental retardation, just as most of my colleagues have over the last 10 years. We are now quite convinced that this was not so. But it's the poor environment, the lack of stimulation that exists in the homes where children become malnourished in the developing world that accounts for the poor mental performance, not the malnutrition itself.

Dr. Winick, one of the greatest exponents of this theory, made a complete flip-flop a few years ago when he looked at oriental orphans who had been malnourished, had been brought to this country and were now outdoing everybody else in school. The reason is very obvious. The fact that they went into adoptive homes, means that they went into carefully selected homes where they got the intellectual stimulation. As we look at the problems of our blacks all we have to do is look at our sports page to see who are the best nourished in this country. We are now having to use different growth standards for blacks because they have passed whites in their growth, and yet the social problems, the school problems persist, and I think are the biggest deterrent to their achieving their rightful position in society. I do think that there is a place for WIC-like programs within the maternal and child health systems. The system should have, when necessary, the ability to issue a voucher for a mother to obtain more food if there's documentation that she needs it or for an infant, regardless of age, 5 is purely arbitrary. There might be an undernourished child who is 7. So, that it should be done on an individual basis, not as a separate program that sets its own criteria and issues vouchers, very often with little regard to nutritional status.

Actually for many years pediatric services have had access to supplies of milk which they could donate and so forth, and I'm sure that is not the ideal way, but I don't think it would cost nearly $1 billion a year for health services in this country to have the power whenever it is necessary to issue a voucher for supplementary food. But a self-standing program, I think, is a very poor way to go about it.

Now, I agree with the arguments that in some States the health system is weak and not able to do that; then we should concentrate on those and in helping the States upgrade them, and not turn over moneys to them unless they can show us that they can do it. But the problems of children and families need a coordinated approach. That is why if we see a malnourished child, we first exclude a medical cause, the child might be sick. Then we immediately turn to the social cause. Because that is where they are, and it requires an investigation of the home, what the problems are in the home, is father in jail, is father on drugs, is there no father, or is father unemployed, looking at the malnutrition as a manifestation of a severe family problem, not as an isolated incident.

In other parts of the world where malnutrition is rampant, one could mount huge programs without selectivity and it would be justified. I think in this country that is just not the case. I see it as a distraction, as a way of absolving our consciences for the last, as I say 13 years, that we hoped provision of this food would solve to a great extent problems that were really problems of the heart and that require much more profound solutions. To that extent, given a choice, I would not put a national WIC program high on my list at all. There are others much more important.

Senator DOLE. All right. That is a judgment we make, and sometimes make the wrong judgment. If we think an idea sounds good sometimes in politics, if $500 million makes it a good program, a billion would make it twice as good. That's been the theory around here for about 30 years. That is why we're faced with staggering deficits and the country is near collapse. We ought to have people like your group making the judgments, and then we ought to vote on your suggestions. But we make the judgments, and once you start a program like WIC, and I have been a strong supporter of the program, it builds its own intrastructure and its own interest groups, its own paid people who administer it, and pretty soon you've got a program that you can't stop. Then the media gets involved in it, and they promote it across the country. Pretty soon you've got something that you can't control. It's not a question of whether you're going to cut the program—it's a question of how you can slow its growth. So, we will have to struggle with that later on.

Dr. GRAHAM. A few months ago we had in the Baltimore papers a statement from someone responsible for the school breakfast program lamenting the fact that the enrollment was dropping and that they would have to advertise on the radio and television to get it up, never once asking the question, maybe it's not needed. As a matter of fact, the school teachers resent that program. It poses a tremendous burden on them to come earlier to school. And it further changes the control of children from families to State. They are not even going to have breakfast at home. When, obviously, what happened is that many families decided they would rather feed breakfast to their children at home and that the program was fizzling because there was no demand for it.

As you mentioned, once it's created it is self-perpetuating.

Dr. MacQueen. We're not talking about passing out Cadillacs. We are talking about giving basic food to mothers and children who are at nutritional risk. We've heard one side of the argument. There are arguments that maternal diet does influence health. There is no doubt that in sections of our Nation, the lack of adequate food is a major problem.

The medical debate about WIC will go on. But, as long as infants and mothers need something as simple—something as important as food—which this Nation has so much of—I think we would be putting ourselves in a very difficult position not to support the WIC program.

Senator Dole. I guess I'm on that side, but I just want to make certain we're doing it properly. I think there are other areas that we can look at for savings, but I don't want to think I was wrong in supporting a program for ten or more years, and then have it demonstrated 20 years from now that we probably were doing the wrong thing and weren't really doing someone a service. We may even have been doing them a disservice, and we might have better invested the billion dollars in Head Start or some educational programs. Plus, if we do the usual layering in Congress, we just add one program on top of another. I don't know how many educational programs we've got layered up now, maybe 30 or 40, but if you start meddling with one of those, you've got a real problem. Every little program has its own constituency. Well, this process is going to continue, and it probably won't end this year or next. But this hearing is going to end.

We will convene tomorrow morning at 10 o'clock. I think Senator Lugar has agreed to the morning session. We're having another hearing in Finance Committee, so I won't be able to be present. I appreciate very much your coming and hope you make it back to Iowa—Dr. MacQueen, you're going to drive home, right?

Dr. MacQueen. Yes.

Senator Dole. Thank you very much.

[Whereupon, at 5:45 p.m., the subcommittee recessed, to reconvene Tuesday, February 23, 1982, at 10 a.m., in room 322, Russell Senate Office Building.]

OVERSIGHT ON FEDERAL NUTRITION PROGRAMS

TUESDAY, FEBRUARY 23, 1982

U.S. SENATE,
SUBCOMMITTEE ON NUTRITION,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 324, Russell Senate Office Building, Hon. Richard G. Lugar presiding.

Present: Senators Hayakawa, Lugar, Leahy, and Dixon.

Also present: Senator Helms.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Senator **LUGAR**. This hearing will come to order.

As you all know, this is the second day of hearings. Senator Dole, who chaired the hearing yesterday, has asked me to assist him today as a member of the subcommittee while he toils in the Senate Finance Committee

We have a very interesting hearing ahead of us and many witnesses. Let me suggest as a ground rule for today that we will ask, first of all, the panel on school lunch and school breakfast programs to come forward and with the aid of the staff we will have a 5-minute time rule, that is, each witness will have 5 minutes of time after which a bell will ring. That way each person will have some chance of being heard. The Chair hopes to conclude the hearing by 12:30.

Senator Leahy will be joining me and I understand other Senators will be coming shortly. But we will try to commence as scheduled and will proceed with the first panel.

I would like to call forward then Jane Wynn, legislative chairman of the American School Food Service Association; Diane Lorentz, legislative chairman of the State of Indiana, American School Food Services Association; Sarah Riley, director, child nutrition programs, Fayetteville, N.C.; and Dorothy VanEgmond-Pannell, director, Food Services, Fairfax County Public Schools, Springfield, Va.

We are pleased you have come for this important hearing and to offer the background of your experience. If you would proceed in the order that I introduced you, for 5 minutes each, either with your prepared text or with your own summary.

The Chair asks unanimous consent that your full presentations be made a part of the record.

PANEL ON THE SCHOOL LUNCH, SCHOOL BREAKFAST PROGRAM

STATEMENT OF JANE WYNN, LEGISLATIVE CHAIRMAN, AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Ms. WYNN. Thank you. I appreciate the opportunity to highlight for you some of the specific points in our statement.[1]

The American School Food Service Association strongly supports the administration's position of no further budget cuts for the national school lunch program.

The Omnibus Reconciliation Act of 1981 reduced Federal support for child nutrition by approximately $1.5 billion; $1 billion from school lunch. Since its enactment last August approximately 1,100 schools have terminated participation in the national school lunch program, in addition to schools that have closed for other reasons.

The more than 350,000 students in those schools have no Federal guarantee of a nutritionally adequate meal. The students that cannot afford to buy the a la carte, snack-type lunch provided in place of the national school lunch program, by and large go without.

In addition to school dropouts, students' participation has dropped dramatically due to lunch price increases. The approximately 30 percent increase in the cost of the school lunch has forced some 3 million children from the school lunch program.

As you know, the national school lunch program was established in 1936 as a measure of national security, to safeguard the health and well-being of the Nation's children. No Federal mandate was enacted. The idea was to use only the incentive of Federal grants-in-aid to encourage local communities to operate a national school lunch program. And it did work. Over 90 percent of all the schools participate in the national school lunch program.

As the Federal moneys disappear, however, so does the incentive for local school districts to participate in the lunch program. This year schools are receiving 21.5 cents in Federal general assistance toward each lunch served, 11 cents of this in USDA commodities and 10.5 cents in cash. The 21.5 cents represents a 40-percent cut in general assistance.

On October 27, 1981, Senator Helms, Senator Dole, and other members of this committee wrote to Jim Baker at the White House pointing out that:

> The 21.5 cents subsidy is not a subsidy directly to nonpoor children, or the "paying" child—it is a grant-in-aid to the schools to help defray the cost based on total student participation, regardless of income.

A copy of that letter is attached.[2]

It was, in great part, this letter that led to the administration's decision not to seek additional lunch cuts.

The American School Food Service Association agrees that any further cuts in the national school lunch program would jeopardize its existence, transforming it from an effective nutrition program that serves all children into an ineffective welfare program.

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[1] See p. 254 for the prepared statement of Ms. Wynn.

[2] See p. 335 for a reprint of the letter to Mr. Baker.

As the ASFSA opposes the elimination of performance funding, the entitlement statutes for school lunch. While the administration does not propose any school lunch cuts, per se, it does propose elimination of performance funding. This change, while appearing technical in nature, would make it impossible to plan at the local level and may affect the decision of some local school boards on whether or not to continue the program.

There is approximately a $250 million shortfall in the 1983 school lunch budget as presented to the Congress. If the Congress eliminates the entitlement status of the school lunch program there will be a $250 million budget cut built into the appropriation. In short, elimination of entitlement status negates the administration's intent of not cutting school lunch.

The American School Food Service Association supports the administration's continuation of a strong USDA commodity distribution program as part of the National School Lunch Act. USDA commodities, with bonus commodities, are increasingly important to the schools as a result of last year's budget cuts. In addition, the commodity program is vital to fulfilling the agricultural purposes of the lunch program.

I would like to, for the record, leave a letter sent from a number of farm groups to the President on behalf of the program.

Senator LUGAR. Without objection.

Ms. WYNN. The American School Food Service Association opposes combining the school breakfast program and the child care program into a general nutrition association grant at a 34-percent reduction in funding. The school breakfast program is the second largest child nutrition program serving some 4 million children daily.

In summarizing, I would like to address the New Federalism. New Federalism would ultimately lead to a Federal abdication of child nutrition support and would result in most, if not all, programs being terminated. We see the availability of school nutrition programs vary from State to State. Those with a strong tax base would provide better programs and those with a lower tax base would have more difficulty. We think it is important to the future of this country that all children have the same programs

I will stop now.

Senator LUGAR. I will give attention to your statement by noting that the association believes the Federal Government should support a child nutrition effort during the summer months, a special supplemental food program for women, infants, and children, the WIC program. Since you make a comment about that, about any decrease in funding—you would oppose that and the association supports the continuation of the nutrition education and training.

Ms. WYNN. While we are an association that primarily deals with lunch and breakfast at school, we do believe in maintaining those programs that help guarantee all children nutritional well-being.

Thank you.

Senator LUGAR. Thank you very much.

Ms. Lorentz.

STATEMENT OF J. DIANE LORENTZ, LEGISLATIVE CHAIRMAN, INDIANA SCHOOL FOOD SERVICE ASSOCIATION, AND MIDEAST REGIONAL DIRECTOR, AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Ms. LORENTZ. I welcome this opportunity to testify on behalf of the food service administrators of Indiana, the American School Food Service Association and the students affected by Federal budget cuts in the national school lunch program.[1]

The food service administrators, school administrators and the students of Indiana are somewhat relieved by the news that the national school lunch program section 4 funding for the paying child may not be targeted for budget cuts next year. Indiana would stand to lose a great amount of Federal assistance if the section 4 moneys should be cut because 75 percent of all students participating in the national school lunch program in Indiana are paying students.

The section 4 assistance is currently 10.5 cents in cash assistance and 11 cents in commodities, and this represents a 40-percent reduction in Federal assistance for the paying child. The impact of this reduction is being felt in Indiana. Current data indicates that total participation in the national school lunch program has decreased 12 to 13 percent for the first 3 months of the current school year. Indiana has a 4 percent decline in school enrollment and we are estimating that approximately 80,000 students may be affected by the decline in participation.

I have attached figures from several districts within Indiana to support these facts.

The pattern of the decline in participation in the industrial cities of Indiana indicates that the decrease is in the participation of the paying child When comparing various percentages against enrollments for the reduced-price and free categories, the percentages vary only 1 percent, but the percentage for the paid student drops drastically. The school districts involved are losing a block of students who can no longer pay the increased price for the lunch and for one reason or another do not apply for the reduced-price meals. There is a general feeling that the 100-percent increase in the cost to the student who qualifies for reduced-price meals, from 20 to 40 cents, has discouraged some families from applying. Many of the families who would fall within the reduced-price category have several children and the capital outlay of the additional 20 cents is too great. What are these students having for lunch? Some are not eating, some are borrowing from their friend's tray, some are buying cookies, and others are bringing a brown bag lunch from home. It is easier for a mother to take leftovers from the refrigerator than it is to come up with the 40 cents per day, per child, for the reduced-price meal.

The majority of the school districts within Indiana strive to provide programs for all students. Maintaining a level of Federal assistance for all meals is the key to the survival of these food service programs. Without assistance for the paying student, most local school authorities will be forced to drop the national school lunch program. These school districts will provide food service for students but the service may not have the nutritional basis and will prove to be discriminatory. The economically deprived students will not be able to afford the expensive new food service program and the school district will be neglecting the needs of all its students.

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[1] See p. 260 for the prepared statement of Ms. Lorentz.

The national school lunch program has existed for many years as an integral part of the education system in Indiana. When the financial crunch of educational funding and the financial crunch of food service funding meet, the obvious priority of the school district will be toward educational funding. The citizens of Indiana recognize the need to lend support to a national effort to eliminate Federal deficits in the budget.

The currently proposed block grant to the States for breakfast programs and day care centers will not cause major problems in Indiana, but the fear of food service administrators is that approving a block grant this year will ultimately lead to a block grant for national school lunch. With the financial crunch in all areas of educational funding, I feel that there is a chance that the integrity of the lunch programs will be sacrificed.

I would like to elaborate on that statement. The concept of the block grant in Indiana for the day care operations, because of the size compared to the lunch program, would be manageable. But not the 35 percent reduction in funding. This would have a major impact on those programs. So I was dealing with the concept in this area. With the fear of an ultimate block grant for the national school lunch program, I would have to say that the administrators of food service programs are really not in favor of block grants in general.

Food service programs in Indiana now face other financial burdens which compound the impact of any Federal assistance cuts. The full-cost accounting system being used for food service includes a percentage for indirect contributions of the school district. Some of the areas included as indirect contributions are building use, utilities, secretarial services, and dining room supervision.

This percentage is used on financial statements to provide all costs involved in providing a meal to the student. The school district can claim this percentage, or a portion of it, but most have not done so in the past. Now the food service budgets are receiving additional blows brought on by local districts claiming portions of this indirect cost. This is being accomplished by either direct claim to the moneys or by returning the actual expense to the food service operation. This additional cost to the program will have to be passed on to the students and we can anticipate an impact on participation.

In summary, even though Indiana has lost only three school lunch programs due to changes in funding, we feel that the decline in participation with the other areas of financial burden being placed on food service programs are going to have a major impact on the future of the Nation's school lunch program in Indiana.

Thank you.

Senator LUGAR. Thank you very much for your testimony.

The Chair would note we have been joined by Senator Pat Leahy of Vermont and I would like to ask now for Sara Riley to testify from Fayetteville, N.C.

STATEMENT OF SARA M. RILEY, DIRECTOR, CHILD NUTRITION PROGRAMS, FAYETTEVILLE CITY SCHOOLS, FAYETTEVILLE, N.C.

Ms. RILEY. Thank you. You have heard from the American School Food Service Association and you have heard something of what has happened in the State of Indiana. I want to talk to you today about what has happened on the local level, Fayetteville, N.C., in particular.

I have in my testimony a number of statistics that I think you will find very interesting. I will not go through them. I will just highlight them.[1]

I represent an inner-city school district We have 8,600 in 15 schools and serve 5,500 lunches and 1,700 breakfasts daily. We had to go up 10 cents per lunch this year. We have a three-price system: 65, 70 and 75 cents which went up 10 cents each in the last year. The reduced-price lunch costs 40 cents as opposed to 10 cents in October of last year.

Let me insert here that my figures are based on October of this year and the preceding October. We used October because it is a stable month as far as applications are concerned.

However, we have figures since that time and our figures have changed very little since October.

Participation in the paid lunch category is down 12 percent, 27 percent in the reduced-price lunch category and about 16 percent is free. The old saying is that for every penny we go up in the price of a lunch we lose 1 percent participation. This is apparently true because our children are paying 10 cents more this year and we lost 12 percent. The reduced child is paying 30 cents more and we lost about 27 percent. Our drop in the free lunch program we feel is primarily due to the complexity of the application form. You understand the application form is more detailed this year. We are asking for the social security numbers of every adult family member

Now we do not have a quarrel with that procedure. Perhaps there were a few that stretched the truth a bit. But what is most interesting to me are the ones that have been denied. A large number have been denied because of incomplete applications. Where the principals have followed through on that, in nearly every case we found those children are indeed eligible but because the form is difficult for some parents to fill out due to educational deficiencies, this has been a stumbling block.

We are an inner-city unit and we do have pockets of low socioeconomic children. I want to be sure you understand that part of that drop is not just the fact that people are being more honest regarding eligibility but that the form is more difficult to fill out.

One of the most significant things is what is happening to the children that have applied for reduced-price lunch. We are seeing that almost the very same percentage of children who were eligible for free lunch last October are eligible this October. That percentage has not changed. But although 18 percent of these children have been approved, there are less children who are eating. In other words, October of the preceding year, 81 percent of all the children who were in attendance that were approved for the reduced price ate the reduced lunch. This year only 63 percent of those children are eating the 40 cent lunch. We tried to find out what was happening. We looked into one school, where 37 children were approved. We found that 38 percent are bringing lunches from home. As best we could we looked at what was in those lunchboxes. Some of the lunches were good. That is fine. There is nothing wrong with a good lunch from home. Some children are even buying milk at school. Some had lunches that cost as much as 40 cents that were high on salt and sweets. That is not good. Apparently the parents were not as knowledgeable as they should be or as careful as they could be.

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[1] See p. 264 for the prepared statement of Ms. Riley.

Some children had lunches that apparently cost less than 40 cents. one dry unpalatable sandwich without even milk to go with it. Of the 37 children in this school who are approved for the reduced-price lunch, 24 percent are coming to school without lunch or without money.

We are basically feeding these children and showing it as a charge. We have limited success in collecting the 40 cents. We have collected some but not much of it. We are where the children are and when we see hungry children, we try the best to meet their needs. If you do not see the children, then they are figures on a piece of paper. But if you are where we are, it is something entirely different.

I would like to share with you two little stories: The case of the child who came to school without a lunch or money. The principal was in close contact with the mother, and tried to convince the mother that the reduced-price lunch of 40 cents was a bargain; the child needed the food. Finally the mother lost her job and the child became eligible for the free lunch. It was a sense of relief.

It is sad when it is better for the mother to lose the job so that the child can get the lunch, rather than the mother having a job with some income but not enough to pay for the lunch

The other case is of a grandmother who I have worked with myself. She has her grandchildren. Their mother died and she of course offered to rear the children. The children get some social security. When her income and the social security are added together, it is too high for her to qualify for the reduced-price lunch. She sends the children to school with no food or money. We have been feeding them and trying to collect. We thought surely the woman should be able to manage her affairs better, but she has high expenses and the problem is with the child, not the grandmother

I just want to say we have made ends meet but only because we have cut drastically. We cannot cut any more and still meet the needs of the children. I think we should remind ourselves our Federal system does exist for the general welfare of our people. I want to call attention to the fact that we need to be concerned with the general welfare of the children They cannot learn if they are not fed.

Thank you.

Senator **LUGAR**. Thank you.

I would like to now call on Dorothy VanEgmond-Pannell.

STATEMENT OF DOROTHY VanEGMOND-PANNELL, DIRECTOR, FOOD SERVICES, FAIRFAX COUNTY PUBLIC SCHOOLS, SPRINGFIELD, VA.

Ms. PANNELL. Thank you.[1] I appreciate the opportunity to express my concern to you, report the effects of the fiscal year 1982 Federal budget cuts on our program, and discuss alternatives.

We serve food each day in 168 schools and centers, 21 day care/private schools, 15 Head Start programs, and 9 senior citizen nutrition programs. During the summer we provide lunch at 21 sites. The school lunch program is the backbone of our operation and without it the prices would become considerably higher for all of the other programs.

As a result of Federal budget cuts, districts are dropping out of the school lunch program. The school lunch program has suffered a devastating blow. Federal cuts have meant a loss of 51 percent of Fairfax's Federal funding; a 25 percent loss nationwide. Fairfax County's is as great because 92 percent are paying students. School districts with high percentages of free and reduced lose much less. Because of reduced funding and increased cost, we raised the price of lunch 15 cents and breakfast 20 cents, while some school districts had to raise the prices as much as 40 cents. These price increases have meant a drop in participation; for Fairfax, a loss of 19 percent, or nearly 20,000 students a day. We have been forced to discontinue 23 breakfast programs and reduce labor cost by 13 percent, meaning nearly 90 fewer positions.

Probably no single budget cut has had as much direct impact on so many American people nationwide as have the cuts to the child nutrition programs. Another budget cut this year would destroy most school lunch programs.

Regarding the fiscal year 1983 budget, it is a relief to see the budget contains one positive thing—no cut in the school lunch program. There are cuts in the summer feeding and child care programs at a time when they are needed the most. More and more mothers have to work outside the home year around. As you know, summers can be a time of unrest when children are hungry and are left to roam the streets.

In the case of the child care program, if a mother cannot afford the child care costs and a great share is for food, she may end up staying home and drawing welfare. In the long run, every dollar we spend feeding hungry people can save Government in payment of sick care, lower productivity, and care of disabled.

The block grant proposed in the Federal budget for child care and summer feeding, will next year probably include the school lunch program. It is my fear, that at first these programs will carry a tag for child nutrition, and then the tag will be dropped. This is an area of great concern to me.

Some 36 years ago the national school lunch program was made a law. That was following a report that 40 percent of America's young men were unfit for military service. One-third of those rejected were because of nutritional deficiency—lack food or improper food. Child nutrition programs have made the difference in this country, as they have in Japan, where today's teenagers are averaging 4 inches taller and 20 pounds heavier than their grandparents. In these 36 years, child nutrition has done much in the United States to eliminate gross malnutrition, which causes adverse health and social problems, such as anemia, lower resistance to infection, stunted growth, and inability to learn and develop.

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[1] See p. 270 for the prepared statement of Ms. VanEgmond-Pannell.

In your role of caring for this country, please assure the health and education of its people—all people—is just as much a concern of our Federal Government as is its defense against the outside enemy.

In your position representing your State on a national level, you have an overview of what happens, when and why. I am sure you see the value of the improved nutritional status of our Nation. Can we be sure that the Government of all 50 States will see that value? I hope so; however, even families, who love their children dearly, will reduce the food budget when money is short and often risk the health of their children. And sometimes it may even cost them far more in the long run.

I have heard it said, Fairfax County is affluent and does not need their children's lunches subsidized. But when you look at our participation decreases, there has to be something to explain that. Perhaps it is those parents that are younger that cannot afford it.

I do want to, in summary, say a couple of things about the positives that I think you all did last year, the extending offer versus has been very helpful and I do want to thank you. I do want to thank you for your support and encouragement and want it to be known that we cannot survive without Federal funding and the school lunch program is the backbone of all these programs.

Thank you.

Senator LUGAR. I thank you and all of the panel.

Let me ask this question that I understand Senator Dole asked yesterday frequently and sort of passed along to me today.

Obviously each one of you has testified that you are pleased that no further cuts in school lunches are being proposed. There are other savings that are being proposed which you have generally opposed.

Can you give any guidance to the subcommittee, if you were in the predicament of someone in the Federal Government presently trying to cut the deficit, what in any of this area might be looked at? I appreciate that your role quite probably is one of advocacy and so is ours. I suspect at some point there will be changes in budget, although they may not be substantial. But where should they come in, if any, in this entire broad area we are looking at?

Ms. WYNN. Last year I think Senator Dole was the one that kept asking us that question too and our association did participate when the time came. But since that time we have experienced a 40-percent cut in child nutrition funds. I have a hard time personally equating the small child nutrition budget and the need to practically obliterate it with some of the other things we are talking about in this year's budget. If we are concerned about child nutrition, and I think this would be the position of a majority of our association members, if we are concerned about child nutrition, we have pretty well done the damage. What we need to do now is try to hold onto what we have got. I think it would be most difficult to say take here and here and here. Of course, if it comes to that we as an association would want to work with you. But at this period of time, we cannot.

Senator **Lugar**. Does anyone else have any other contribution to make in that discussion because I think it is fair to say that the committee would find difficulty too and I am not sure what sort of resolution is to be made but this is a time of inquiry with the experts that have hands on experience. I suspect we will be taking a look at all parts of the budget, national defense to be included. Nothing is to be sacrosanct.

In that kind of field, in due course, where $91 billion have to be reduced somewhere—each one of you have testified that there have been fewer children participating here. Ms. Lorenz addressed that in Indiana, that there was a 4-percent decline and therefore made 8 or 9 percent of additional lack of participation came from participation in the program itself as opposed to fewer students.

What has been the case in the other systems? As I read through the testimony I was not clear what kind of an enrollment there was in North Carolina or Fairfax County.

Ms. **Riley**. I was careful that I showed you the adjustment for loss in membership and the figures I gave you were the ones that—that had already been adjusted.

Senator **Lugar**. So we are talking about percentages of the adjusted?

Ms. **Riley**. I want to be sure because I am showing a greater loss—let me see if I can find it.

Overall, almost 18 percent loss and then when it is adjusted for a loss in membership, it is 15.67. So I have made that adjustment in my figures.

Ms. **Pannell**. The same in Fairfax. Ours would be in excess of 20 percent if I did not include the fact that we have had lower enrollment. But enrollment has not dropped that substantially, something like 2 to 3 percent.

Senator **Lugar**. To what extent would the losses have been the function of the general recession in the economy? For instance, if we had a better economy with no loss of income or employment on the part of citizens, is it your judgment that there would have still been the degree of loss in terms of numbers taking part?

Ms. **Lorenz**. The school districts that I am currently employed by is a very conservative area and we have had to increase prices there. We have less than 1 percent that qualify for free meals and I am amazed at the attitude of the community and the school administrators overall. They don't understand still why we have to increase the prices. They are all in favor of elimination of Federal input into programs and yet when you face them with the daily realities of what this is going to mean they don't realize what it is all about.

Senator **Lugar**. You are testifying that even in a relatively affluent district where people are not ravaged by any degree of unemployment that is clearly the case in many Indiana communities, there is a feeling on the part of parents that the school lunch program ought not to change even though they are in favor of balanced budgets and more conservative fiscal policy.

Ms. **Lorenz**. Yes.

Ms. **Wynn**. In my district, which is Broward County in Florida, we have had increases 2 years in a row. Last year it was to accommodate the previous year's cuts and we lost 4,000. This year we will lose 5,000 meals a day. We do have a declining school enrollment right now. However, we have found that we have lost a greater proportion of lunches and I think we need to comment on the free lunches that we have lost.

Sara Riley commented but I would also say that what we found in our district is that many families are no longer eligible for free lunches or reduced lunches because of the lack of a hardship provision. While I was one of the administrators that had great difficulty in uniformly applying the hardship provisions, I think that there are many people out there in dire straits who, because of illness and special education are being priced out of the program. This is part of the reason for the decline. We are forgetting who the people are that participate in the program. They are young families that are being hit so hard. They just do not have the money because they need to spend it somewhere else.

Ms. **Pannell**. We have to look at the effect this drop has on not only just the children, the jobs that it eliminates, and also I am sure that at the end of this year you are going to find an impact on the milk industry and a lot of the industries that we have—we are meaning a lot of dollars too. The removal of excess surpluses from the farm market—I think all of these programs are being hit hard. I know the companies that sell to us have indicated that they have been hit. They can see a decrease in the amount of money we are spending for food by about $2 million in Fairfax County alone. So that does have an impact.

Senator **Lugar**. I am sure your point is well taken. I assume it is a matter of public policy. Probably in this committee we wrestle with how direct subsidies ought to occur as opposed to indirect subsidies to lunch. We are trying to isolate the things that you have testified about, the impact on children and health as opposed to the support of more employment, although that is a general objective of all of us obviously in this country.

Let me ask if anyone has any further comment? Anything you would like to say that you have not had an opportunity to say?

We will have a pause for a moment and perhaps Senator Leahy will return.

May I have your attention again? I am prompted to ask a question with regard to the breakfast program. I understand yesterday there was some testimony that as you have said today participation in the breakfast program has declined. There was some confusion and perhaps you can offer illumination as to whether that is a function of the increased price of the breakfast, whether in fact more families are simply providing breakfasts at home for their children or why there appears to be a need in many school systems for increased promotion of the programs that persons come into it at all?

Do you have any further thoughts about the program, problems in the breakfast program?

Ms. **Wynn**. If you are talking about a national decline in the numbers participating in the breakfast program, I would think that probably what we have seen is school districts dropping the breakfast program. Also I heard of one superintendent in our State who refused to start a breakfast program because of the lack of reliability on the part of the Federal Government. I cannot talk as far as a local district reduction in the breakfast program because our participation has remained the same.

Ms. RILEY. I would like to comment. We have had a significant loss in the reduced-price children for breakfast but only 7.6 percent in free and none in paid. We have few paid children because geographically we are a small unit and most of the paid children do get breakfast at home. But we had a larger loss in free children for lunch than for breakfast. It appears that every child is going to get breakfast if it is available free but not reduced.

Ms. PANNELL. We had to discontinue 23 of our breakfast programs. That leaves us with 44. We had to because we could not afford the program. The funding is insufficient. We could not carry it any longer in those 23 schools. As a result we have about 50 percent as many participating this year as last year. It is a shame but something had to give.

Ms. LORENTZ. I do not have figures from Indiana to support the breakfast program but the feeling I get in talking with the directors is that those schools with the breakfast program are maintaining their counts. If there is a decline, it would be because of the decision of the district who dropped it for overall savings. But the program is so popular in the schools in which the program has been implemented that I do not anticipate a decline in that.

Ms. Wynn The difference in my district and Dorothy's is that most of the schools that do participate in the breakast program are eligible for the special severe-need rate.

Senator LUGAR. Thank you

We will wait for a moment.

Ms. WYNN. While we are waiting, may I comment? I would like to call your attention to an excerpt from President Nixon's statement at the White House Conference on Food, Nutrition and Health, just the paragraph where he said:

> Until this moment in our history as a nation, the central question has been whether we as a nation would accept the responsibility of malnourishment as a national responsibility. Speaking for this administration, I not only accept the responsibility, I claim the responsibility.

Then in one of the later hearings held by this committee a physician testified—actually a panel of medical experts—that there are far fewer grossly malnourished children in this country today than 10 years ago as a direct result of our national effort. I think that again this is part of my confusion as to why we would even be considering going back to where we were.

I would like to introduce that hearing record as a part of the record of this hearing.[1]

Senator LUGAR. It will be included.

Senator Leahy's staff has given to me the questions he would like to ask and I will commence asking them. Here is Senator Leahy.

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[1] Because of budget constraints the document referred to above has been retained in committee files.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM THE STATE OF VERMONT

Senator **Leahy**. Thank you, Mr. Chairman.

I apologize. I have been trying to catch up with a person on the phone for almost a week.

I would like to read into the record a letter from Bristol, Vt., which is a small town in Vermont near Bristol Cliff, Vt., which is an area known only to the chairman and myself because we were up in that area holding a hearing 2 or 3 years ago on the hottest day ever in the history of Vermont, almost 90 degrees in a room with no air-conditioning and we had 35 to 40 witnesses during the day.

The child writes:

> Dear Sir: I am writing to you because I am concerned with the budget cuts affecting the school lunch programs.
>
> I think that if the program is cut many students will go hungry at lunch time. For some students school lunch is the best meal they have all day. Many families cannot afford lunch prices now. If the program is cut it will be hard for the families to buy school lunch.
>
> I urge you to vote against the cuts in the school lunch programs.
>
> Thank you for your time and effort.
>
> Sincerely, Wendy Fagga.

I also note, and there is no way of actually putting this into the record, one of the local editorial cartoonists in our State, and I mention it because I think it is extremely good, and I say that notwithstanding he skewered me on occasion. It shows a televsion set with some people firing from a helicopter and it says:

> El Salvador. This war made possible by a grant from the Federal school lunch program.

I put that in without any comment whether it is accurate or not but just interesting. The cartoonist's name is Danziger.

Ms. Wynn, let me ask you a question—before I do that, I would like to quote or emphasize from your testimony where you quote another person. You are speaking of relieving malnourishment. You say first—he says:

> First of all there is a moral imperative. Our national conscience requires it. We must because we can. We are the world's richest nation. We are the best educated nation. We have an agricultural abundance that ranks as a miracle of the modern world. This Nation cannot long continue to live with its conscience if millions of its own people are unable to get an adequate diet.
>
> A child ill-fed is lower in stamina, distracted from learning.

That is true today as it was in 1969 when President Nixon said that.

Now your testimony raises concerns about the New Federalism. I realize in watching the Governors Conference that New Federalism is still a moving target as to what is meant by it. What are the implications of returning programs to States? I would like you to answer it in two ways. Do you see us having a real variance in these programs from State to State and do you see the possibility of variances of these programs within a State under the concept of New Federalism?

Ms. **Wynn**. I do not think there is any doubt you would see a difference from State to State. I mention in my testimony that those States with a strong tax base most assuredly would be more willing to commit money to child nutrition. I think what we are seeing in the States right now already is a play for the money as the Federal budget cuts are being announced. Education is really in trouble in many, many States.

At the local level I think we can see a difference there too. If there was not a difference, we would not have the variation in salaries we have from district to district, even in one particular State. So without a doubt what we would have is different child nutrition programs, and within each State there would be as many as there are school districts.

We all know the needs of children do not vary. It is impractical to even think of that.

Senator **Leahy**. All right. The majority of children from low-income families?

Ms. **Wynn**. In my district 50 percent are low income, 50 percent are not. We are able to operate our program because of those that are not. They help us with the economies of scale. As our participation goes down, we have great difficulty in breaking even and school boards expect you to break even. It is very important that we make sure we keep the higher income or middle income child in the program or the program is not going to survive.

Senator **Leahy**. At some point you reach a level where it is all or nothing. It makes no difference who is in.

Ms. **Wynn**. That is exactly right. That is what we have seen in the districts where they have dropped the program. They can no longer keep the paying child, and the free child is a liability so they drop the program.

Senator **Leahy**. Do you have more pressure as unemployment goes up? As unemployment goes up—do you see a greater need for this program?

Ms. **Wynn**. Absolutely. I think more and more, we are having more and more children coming to school looking for the only meal of the day. We have been saying that for years and if it was true then, it is true now. Unemployment is a real problem.

Senator **Leahy**. What kind of trends do you see in schools dropping out? We have had varying testimony and yesterday we had rather substantial testimony which seemed to suggest that there were not many schools that were dropping out of the program, although the administration people that have testified said they were about to, in effect, make a new count and would get back to me in the next few weeks and to Senator Dole. Are we losing no more schools than we normally would through school closings or consolidations in the programs or do we have an accelerating situation?

Ms. **Wynn**. We have an accelerating situation. We have had 1,100 schools terminate the program in addition to schools that have closed. What we did is this year as an association, was that when we began to see that those disastrous provisions of last year's budget were not going into effect, we pleaded with people throughout the country to hang on. There were districts that were ready to drop and when it began to look like there was some relief, they elected not to.

Many are hanging on by their fingernails and any additional cut will push them off the edge.

Senator LEAHY. The 1,100 we have seen and, I do not mean this in a callous way, I really do not, but it is a fairly small percentage, a little under 2 percent by itself. But you think that that is—I do not mean to put words in your mouth but are you saying there is a real backlog just sitting there and we could push the others over the edge very quickly?

Ms. WYNN. Absolutely. We stand in jeopardy of losing a mandate for the lunch program if they continue to cut the subsidy. Eleven hundred schools may not sound like that much but we are talking about 3 million children who are not participating in the program.

Senator LEAHY. I am also aware in Vermont—every time I go up there I have had somebody come up to me on the street, drop by the office, whatever, and tell me something about their concerns about the school lunch program. It is the same all over the State. What few places have school breakfasts—that is going to be out the window anyway and the school lunch, I have people in Vermont tell me that they fear as much as half of the program in the State would be out. We are a low-income State to begin with and I fear that greatly.

Thank you.

I appreciate your testimony.

Senator LUGAR. We certainly do appreciate your coming this morning. Thank you.

For our next panel we will hear from Wendy Garen, program manager of Crystal Stairs Child Food Care Program of Los Angeles, and Patti Whitney McCall, of the California Rural Legal Assistance Food Law Center in San Francisco.

We thank you for coming. If you would give your testimony in the order I call you, Wendy Garen and then Patti Whitney-McCall and 5 minutes of testimony each and then questions that may allow us to elaborate.[1]

Ms. MCCALL. We did write our testimony together to give you a more comprehensive view and if you will allow——

Senator LUGAR. Splendid. Then 10 minutes you shall have.

PANEL ON THE CHILD CARE FOOD PROGRAM

STATEMENTS OF WENDY GAREN, PROGRAM MANAGER, CRYSTAL STAIRS CHILD FOOD CARE PROGRAM, LOS ANGELES, CALIF., AND PATTI WHITNEY-McCALL, CALIFORNIA RURAL LEGAL ASSISTANCE FOOD LAW CENTER, SAN FRANCISCO, CALIF.

Ms. MCCALL. My name is Patti McCall and I am pleased to be here representing the food law center in California. Our agency has been working with child nutrition and food stamp programs in eight Western States overseen by the USDA western regional office for many years.

Personally I have been most involved in the child care food program for the past 6 years, providing technical assistance and outreach at the local level, monitoring at the State level, and writing the 1978 legislation designed to substantially improve the operation of the program.

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[1] See p. 317 for the prepared joint statement of Ms. Garen and Ms. Whitney-McCall.

Ms. **Garen**. My name is Wendy Garen and I am directly responsible for the operation of the child care food program as program manager of an umbrella sponsorship for 570 family day care homes in Metropolitan Los Angeles, an area including inner city areas such as Watts and Florence-Firestone.

The first part of our testimony addresses the importance of the child care food as providing a fiscal safety net for child care programs as a whole.

All the budget cuts have affected the affordability of child care for working parents. The child care program has served as a very major support in keeping child care affordable. Let me explain the reasons for that.

Child care center costs are predominantly labor. It is important to know that the people that are care givers, two out of three of the teachers make less than the poverty line. So these are very low-income people providing needed services. In family day care it is more dramatic with a national study finding even less than the poverty level. That is one aspect. So you cannot cut back on wages. People providing child care are already earning less than poverty.

Further, the average cost of care is approximately $220 for child care centers and about $170 a month for family day care. The recent ceiling on AFDC disregard of $160 therefore is a severe problem because care is costing more than that and care will cost far more as those child care cuts—the impact becomes known in communities. Centers are already having to raise their rates or close their doors because of the loss of child care program funds.

Other problems for these low-income working parents include the choice of more disposable income going for child care which leaves less money for food in the families. Because they can no longer choose to leave their children unattended, the latch key child problem, which is a real problem in Los Angeles—we recently had the horror story of a poor mother working nights. She left her children unattended and while she was at work her children burned to death in a fire.

Those are the kinds of impacts we are going to see more and more as child care becomes out of reach for those who want to continue to work.

The final point about family day care is that family day care is little understood. A recent study was done, the ABT study. That study found that family child care provided in nonresidential settings is good care, developmentally appropriate, provided by poor women and this is most important, that families who use family day care are poorer than the national average of comparable families and that 40 percent of the families are single-parent families who find it very hard to keep working.

The last thing I would like to say is the Office of the Inspector General made comments about outreach brochures for family day care as well as the income level in this program as far as targeting. With respect to the outreach brochure saying that a day care center might get as much as $200 a month, let me say she is not making money offering the program. Indeed she made $1.70 an hour offering child care and that money means she can offer meals and continue to offer the service.

As far as the income level, I just stated that 40 percent of single parents and further that family day care is a service used primarily by low-income families in a nationwide average.

I was interested in knowing where the statistics quoted in that OIG comment of yesterday comes from because clearly that does not reflect the reality on a nationwide level.

The final thing is that the cuts of last year were dramatic. They have resulted in the level of child care food money being withdrawn which is resulting in fewer meals, the quality and variety being reduced; child care being increased in price and therefore less accessible to low-income parents and just in centers and family day care homes simply stopping to offer the service.

The last thing I would like to mention has to do with the interim rule that was recently——

Ms. McCALL. Excuse me. I would like to speak about that. Wendy skipped ahead. But let me give you an overall view of the program.

Last year over 850,000 meals were served to children. Most of those children are under 6 years of age; 83 percent of the meals served in 1980 went to low-income children. There is a study that was legislatively authorized by this body to be provided on the child care food program, a $2 million study that has yet to be finally released. We were able to get a draft copy of that and in our testimony have cited some examples of that study that was comprehensive and had positive results.

They found that most of those participating were the low-income centers, mainly because they got higher reimbursement rates. If they had lower income children, they received more reimbursements and that was an incentive to get them into the program.

So the program is clearly targeted to those who are most low income, particularly in centers. The design is successful.

The second thing deals with the kind of meals we are talking about. In the past years child care food provided three main meals and two snacks. But we are not talking about large meals. We are talking about small meals for small children, very necessary during the growing years, particularly for children who are in care from 10 to 12 hours a day and, may I say, that most of those children that are in day care are children of low wage earners who have to travel long distances to get to their jobsites.

So it is very important that the children most needing those meals are from lower income families.

I would like to also make a connection between WIC and child care food programs. We think the ABT study when it is released—and we would like to encourage this committee to request immediate release—will show the same parallels that you found in the WIC studies, that this program has been beneficial in terms of health, in terms of education for the children. If they are well fed by the time they get to school, they are more ready to learn, they are ready to move on, and I think that is a very important point.

May I say also in 1980 a CBO report underscored this. I would like to quote from that. CBO said:

> It is possible, that marginal nutritive intake and poor dietary habits during childhood may be related to the major health problems of today's adults: heart disease, some forms of cancer, stroke and hypertension, diabetes, arteriosclerosis, and cirrhosis of the liver.

It is the same connection as in WIC. WIC recognizes that the crucial years for a child is from prenatal through age 5. Most of the children in child care food programs are in that age group. They are in that critical age level.

As Wendy said, food is the second highest cost in day care. It is very critical. One of the things the program has been able to do is keep costs down and keep child care affordable. Last year's cuts amounted to about a 34-percent cut in funding. Centers who could serve five meals can now only serve two meals and one snack.

All Saints Pre-School in Los Angeles is a good example. I would like to enter this into the record, read it very quickly because it is an actual experience:

> For All Saints Pre-School in Los Angeles, these meal cuts were devastating when added to the CCFP cuts. Other cuts included reducing meal reimbursement amounts, using outdated ineligibility forms, eliminating the hardship deductions, and lowering the age limit to 12 years.
>
> All Saints Pre-School serves a low-income, multiethnic community. The parents are primarily poor, 80 percent Hispanic, 10 percent oriental, and 10 percent mixed ethnicity; 11 of the 41 children come from single-parent families. Previously All Saints served and was reimbursed for breakfast, lunch and dinner. Now they can only claim a snack in the late afternoon instead of dinner.

What I wanted to say all told there was that the reimbursement was cut in half. They have outstanding bills to the produce supplier. They cannot pay. They are looking at closing in June. That is the bottom line. They cannot raise the rates because the parents are low-income working parents and cannot afford an increase. It will leave them with no other alternative other than to quit their jobs and go back on welfare. That is the bottom line.

This program has been a cornerstone of keeping child care affordable and alive in this country. I think you have to recognize that.

In terms of the block grant proposals, the issue of combining child care with breakfast is ludicrous. The two programs do not belong together. It was an 11th-hour decision. When they decided not to cut school lunch, they decided to lump these two together. They are not administered by the same group in States. In a number of States they are not administered for private institutions, meaning parochial schools would no longer get breakfast programs because of State laws forbidding them to give those funds out. And this represents, between this year's proposed cuts and last year's, more than 50 percent in child care being wiped out. Now, that means that programs will close. If they are closing under last year's cuts, and we can provide you many examples—I have some documentation here, throughout the country, then you are going to fold a lot of programs. People will go back on welfare or children will be left unattended.

Senator LUGAR. Thank you very much. You have covered a lot of territory and done so with skill and with great experience.

We have been joined, while you were testifying, by the distinguished Senator from California, Senator Hayakawa, and the distinguished chairman of our full Agriculture Committee, Senator Jesse Helms of North Carolina and I think they heard the totality of your testimony.

I will defer any questions for a moment and ask, first of all, Senator Hayakawa if he has any thoughts or questions.

STATEMENT OF HON. S. I. HAYAKAWA, A U.S. SENATOR FROM CALIFORNIA

Senator **Hayakawa**. I think it is a question that has already been answered in your testimony, except that I came in late.

The administration is proposing that child care food programs and the school breakfast program be taken out of Federal hands and combined in a general nutrition block grant to be given to the States. Their rationale is that since neither program is found uniformly across the Nation, the States would have the flexibility to direct the funds where they are needed.

Now this question can be broken up several ways. First, there is the administrative problem and second, there is the economic problem which would divide itself in two ways. Would the Federal block grant be less than what the States now get or would it be more? The latter may be unlikely but, nevertheless, that is a possibility that one must consider, especially if you consider the case of California, where the grant may very well be based upon the population of the State.

So, first of all, I would like to ask about the administrative problem. If you lump the child care food program and the food breakfast program into one program or one administration, could they be sufficiently separated at the State level to be intelligently handled?

Ms. **Garen**. We do not believe so.

Senator **Hayakawa**. Why is the Federal Government missing that?

Ms. **Garen**. I think it is an attempt to eventually abandon these programs entirely. That is how it appears from a field perspective of the programs serving the neediest people. Historically those are the people who have the hardest time advocating for their programs. As far as the competition between breakfast and child care, if block grant was implemented, we foresee great problems because child care is not organized in the same way the schools are. We do not have boards of education and groups like that, like the American School Food Service Association, to help child care explain the need for any program and get access to it at the State level. We are afraid that child care would get shut out of that funding.

In addition, the food program has been used very much in California. We have very high participation. Although I do not have the figures, I would not think that any sort of formula would mean we would get more money in California than we are currently receiving.

Senator **Hayakawa**. Do you believe, though, that moving the program from Washington to the States is a step toward eliminating the programs altogether?

Ms. **Garen**. Yes, that is right, and the administrators in California are very much opposed to this proposal.

Senator **Hayakawa**. You do not believe that, when the center of authority is moved to Sacramento, you can bring stronger pressure to bear on the Government than you can in Washington?

Ms. **McCall**. That is not the real issue. The real issue is how much money. They are proposing another 30-percent cut in funding for both of those programs before giving the block grant back to the State. One of the hidden costs is State administrative costs which was not calculated in the total picture. That is another $7 million or $9 million nationally, another few percentage points to add to the cuts. States are expected to take their administrative costs out of the block grant. But they would lose that 1½ percent nationally to administer the program.

We also understand in the overall plan the reductions get greater each year so in a sense you are talking about the States taking over the program but with less and less money.

Let me say, USDA has done a very good job in administering the child care program. It really has been effective. It is kind of sad to think that this is going to get knocked out.

Another point you need to know is administratively there is very little money being spent for programs such as Wendy's which is an umbrella sponsorship for family day care homes. Their budget is 12 percent of the money that goes out to the home. That is a pretty efficiently run operation. Very low administrative costs. Most of the money goes directly into the program. It is set up well. Why change it now?

In some States parochial schools would no longer be eligible for breakfast because the State Department of Education could not administer those funds, nor could the State Department administer the funds to child care because they are prohibited from administering to private nonprofit agencies.

So you are looking in some States at no money going into that block grant for private institutions.

Senator HAYAKAWA. However, your interest, as expressed in your testimony is in the age group from 0 to 5. That is your central focus of interest. You are putting up an awfully good argument, ladies.

Ms. GAREN. It is a very important program.

Senator HAYAKAWA. I am not arguing with you on that. I realize the importance of it and I realize that you are saying the critical years in which the health of the adult is determined with adequate nourishment is in those 5 years. Then you could undergo hardship later on but with hardship in those first 5 years hardships are even harder to bear in later life. Those are very critical years indeed. I do sympathize with your goals.

Thank you very much.

Thank you, Mr. Chairman.

Senator LUGAR. Thank you.

I call on Senator Leahy.

Senator LEAHY. I will yield to the Chairman.

The CHAIRMAN. I am just ex officio.

Senator LEAHY. To make sure I understand the report you referred to, the ABT study, why has that not yet been released?

Ms. McCALL. We understand from talking with USDA just this morning that the study—let me first say that there are several phases of the study and the first phase was done 14 months ago—the final report should have been out but apparently funds were frozen for those studies and they are trying to get them released now, an additional $30,000 for the ABT Associates to release the final report. We are very concerned that this get released at a time when Congress is looking closely at the program so that they have a good idea, an overall view of what this program has provided for children and what the program really is.

Senator Leahy. That study was to raise a number of questions raised by Senator Dole and myself and a number of those on the committee. We did not undertake the study because the study itself was in the neighborhood of a couple of million dollars.

Ms. McCall. That is correct.

Senator Leahy. Obviously we did not have the resources but we wanted the results. You are saying a $2 million study is being held up for an additional $30,000?

Ms. McCall. I do not believe it is an additional amount of money. The money was frozen at some point. They need to release $30,000 of the $2 million to get the final report. That is the way I understand it.

Senator Leahy. I would hate to think this committee, having spent that much money, is going to be stymied for these final costs. I suggest maybe we ought to jog them along a little bit. I do not know what the study says but I know that a number of us on both sides of the table last year raised the question that that study has to answer and we are going to be voting on this issue. I would like to see it come out.

We talked about the question of whether this is best handled by the States or the Federal Government. As a Vermonter I prefer whenever we can to send things back to the States. But aren't we also dealing with the same national problem that President Nixon spoke of back in 1969? It still is a national problem, is it not, the nutritional health of our people?

Ms. McCall. It is. I think it is important to recognize a victory also, that in fact we have alleviated a lot of hunger in this country. It has been because of these food programs but it will only continue with the continuation of the program. If you drop the program, we will go right back to where we were. These programs have made a difference and we see much less malnutrition in this country. It has been successful. It is probably one of the only poverty programs that has reached its goal and target. Over the last 2 years we have been cutting back on that success story. We are going backward.

Senator Leahy. You referred to the block grant program. Let me read a short paragraph to you. This sounds almost like a true and false, but let me ask you to react. This is in some briefing materials and I must admit again my frustration at not having the study done yet.

> There is no logic in combining the School Breakfast and Child Care Food Programs into a block grant. The program with which the Breakfast Program is most closely allied is the School Lunch Program, not the Child Care Program—but school lunch would not be in the block grant while the Child Care Program would be. The Breakfast Program and the Child Care Food Program are run by different institutions at the local level, and in some places are even administered by different departments at the State level. It is hard to envision how any efficiencies or economies could result from the block grant.

Could I have your reaction?

Ms. McCall. I would fully agree. Even if both programs are administered in the Department of Education, they are administered by different staffs and you would have to create a new bureaucracy in order to administer the new program.

Senator **Leahy**. I have no further questions. I may want to submit some more questions for the record, if I would get that study, and I would strongly urge the committee to drop a note to the Secretary or whoever is in charge of that. We would like to get it prior to markup and not subsequent.

Senator **Lugar**. The committee will ask the staff to investigate the ability of our committee to take a look at that. I think that would be a good commonsense step.

Senator Helms, do you have any questions?

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The **Chairman**. I came not to ask any questions, just to listen. I have a distinguished constituent that I wanted to meet but I was fascinated by your testimony.

Let me say at the outset that I am in no way in an adversarial position to your goals. So far as I know, nobody in the Senate or in Washington is. The fact of the matter is that we have $1 trillion Federal debt. It will cost more each year to operate the Federal Government. I have to say to you, as I said to the people in the Pentagon, that if this economy goes down, if we go bankrupt, there ain't going to be no defense, no food program for anybody. There is going to be nothing.

So what we are trying to do is to arrive at the proper and equitable decision so essential to preserving everything you are talking about.

Now let me ask you about this food program. Incidentally, if you want to see pictures of some grandchildren, I can show you two reasons why I agree with you.

But how does the subsidy work?

Ms. **Garen**. It is pretty straightforward. In family day care, providers receive a flat payment for up to two meals and one snack a day. We have found, and the draft study that we have not seen yet—it is my understanding that it also finds that those payments are not sufficient to cover the cost of meals. They do not cover the cost of food, let alone labor.

The **Chairman**. About 90 cents a meal?

Ms. **Garen**. 93¼ cents for lunches and dinners, 47¾ cents for breakfast, and 28 cents for a snack. The problem with that, of course, is to feed infants can be very expensive and to feed older children can be expensive. It is a flat payment regardless of the level of food or kind of food.

The **Chairman**. Is it not true that you feed all children regardless of need?

Ms. **Garen**. That is true with the exception of the provider's own children which, as of January 1, must meet a needs test.

The **Chairman**. The Inspector General's Office was represented here yesterday and as I recall the testimony—I will ask staff to correct me if I am wrong, something like 70 percent of the meals go to people who ought to be paying for them.

Do you say that is not true?

Ms. GAREN. I would like to speak to that. I was here yesterday and it was a figure something like 52 percent.

The CHAIRMAN. Let me check—that is correct.

Ms. GAREN. They did a small, nonscientific study of homes in the same area of Minnesota. My background in social science would suggest that is not the way to determine what is going on nationwide. It may be an atypical State, it may be an atypical sponsor, and it may be an atypical home. My experience in Los Angeles tells me we are serving upward of 70 percent of needy children in Los Angeles.

The CHAIRMAN. I am sure it would vary from a big city.

Ms. GAREN. Just as the questions were very ably raised by Senator Leahy about the WIC figures raised by the Inspector General in his cursory comments, I believe we could look with the same sort of intensity, how they arrived at these kinds of figures because we do not believe them to be accurate or representational of the program as a whole.

The CHAIRMAN. What would you say would be accurate?

Ms. MCCALL. I will give you the 1980 figures we have because there was an income eligibility requirement, a needs test. At that time they found on a nationwide basis that 83 percent of the meals served were to low-income children. Those are USDA statistics on the program for 1980.

Senator HAYAKAWA. That is nationally?

Ms. MCCALL. Yes.

The CHAIRMAN. I guess, as you have indicated, it depends on who is making the study and where the study is made.

I do not know that I will comment on the figures available in 1980. I would still like an estimate as to what percentage of the meals are served to people who are nonneedy or from nonneedy families. Would it be 15 percent, 20 percent, or 25 percent?

Ms. MCCALL. May I make one comment which relates to this? It is important to keep in mind that the income, poverty scales, that are used in these programs have been continuously backdated. So even with the statistics available with USDA, we are using outdated statistics and these people appearing poor are only part of the picture. Given that, given that we are using outdated income eligibility scales, without hardship deductions, as was mentioned in the school meals presentation this morning, I would say that you may be looking at a 30-percent level, and I think that is being conservative—on the conservative side. I am not being liberal with my figures. I think that is a realistic figure based on information we have had. The figure I used from USDA is actually meals served to children in the free and reduced-price categories.

So those figures are from actual meals served during that year to the children in the program and I would say perhaps that is high. I do not know.

The CHAIRMAN. That is a ballpark guess.

Ms. MCCALL. And I am being generous. Because if in 1980 it was 17 percent, I doubt if it has gone up much, 17 percent needy families receiving reimbursement.

The CHAIRMAN. I do not want to belabor this. May I request, if there is a staff member who was present yesterday and who knows the extent of the study which we are discussing, could he or she now rise and give me the facts.

The STAFF. I believe what OIG said yesterday was in a survey done of a single family day care home provider which covers about 5 States, they have preliminary data which indicate that about 70 percent of the participants are nonneedy. But that is a single provider. It does not cover California.

Ms. GAREN. My understanding is it was the one sponsor but only in one State operated by that sponsor and they found 52 percent.

The CHAIRMAN. Mr. Chairman, may I respectfully request that the staff make further inquiry of the Inspector General's Office and get clarification because I think it is important, the difference between these ladies' understanding.

Senator LUGAR. Without objection, the Chair will ask the staff to do that and, of course, the record will reflect your testimony and the ideas you expressed in response to the chairman.

Senator LEAHY. May I add to the request, which I think is a good one? May I also add that the staff check on this as yet uncompleted $2,030,000-plus USDA study, ask if they have any figures that relate to the same point, whether they could get that over to us also. It would be nice to get the whole study. But I think Senator Helms raised a valid point and I think we should have as much as we can get.

The CHAIRMAN. There was an old television program that said we want the facts and now.

Senator LUGAR. Without objection, that will be incorporated also.

Senator Dixon of Illinois has joined us. I know you are here not only because of your interest but to introduce a distinguished constituent. Let me ask if you have any further questions of this panel?

Senator DIXON. No.

Ms. GAREN. As we leave, I would like to present for the record some letters written from constituents specifically to Mrs. Hawkins and to the Chair about the child care food program, its importance to the children and families in Florida. We would like to respectfully submit these for the record.[1]

Senator LUGAR. Thank you. Without objection, they will be included in the record.

Ms. MCCALL. One other thing we would appreciate the committee looking into, currently there are administrative payment rates which USDA is implementing given last year's Reconciliation Act. They were to cut 10 percent. USDA has interpreted that to mean somewhere in the neighborhood of 23 to 27 percent cuts rather than the 10 percent requested by the committees. We thank you very sincerely for your letter that the Senate and House sent to USDA expressing that concern and asking them to please consider the way the Congress intended. USDA published the regulations anyway and we would really appreciate it if the committee would continue to look into that process where it seems USDA is legislating on their own.

Senator LEAHY. I believe Senator Dole and I have both objected to that.

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[1] See p. 337 for the above-referred-to letters.

Senator Lugar. Thank you again.

The Chair would like to call the next panel on the summer feeding, special milk, and nutrition education programs. We will hear from Robert Ohlzen, director of the child nutrition programs, State of Illinois; Patrick Healy, executive secretary of the National Milk Producers Federation; and Dr. Katharine Clancy, president of the Society for Nutrition Education and member of the board of directors of the nutrition consortium.

Senator Dixon.

Senator Dixon. I have the pleasure of introducing to this subcommittee Robert Ohlzen, manager of food and nutrition programs for the Illinois State Board of Education. He has been with that agency 11 years and before that was assistant director of the Chicago Board of Education and with the department of purchasing at the University of Illinois.

He has his MBA from the University of Chicago and I am delighted to introduce to you a distinguished member of our State, Robert Ohlzen.

Senator Lugar. Would you proceed, Mr. Ohlzen, and then followed by Mr. Healy and Dr. Clancy. Each one will have 5 minutes for testimony and then we will engage in questions and answers.

PANEL ON SUMMER FEEDING, SPECIAL MILK, AND NUTRITION EDUCATION PROGRAMS

STATEMENT OF ROBERT OHLZEN, DIRECTOR, CHILD NUTRITION PROGRAMS, STATE OF ILLINOIS

Mr. Ohlzen. The majority of my testimony I have provided in written documents. I would just like to summarize some of our comments.[1]

Although the request to testify referred specifically to the summer feeding and special milk programs, I would like to submit for the committee's consideration a resolution developed by all of the State directors of the United States of the child nutrition programs at a national meeting January 26 to 28, 1982.[1]

I am sorry, I just got my copy of the resolution today so I would like to submit that for the record because 48 out of the 50 State directors were present and included in this.

Referring to the summer food program, the termination of this program to me can have only one single effect. We will have, in Illinois, over 50,000 children from the deepest pockets of poverty that will be deprived of meals during the summer months. That is just what is going to happen. I am not speaking of just Chicago but I am referring to most of the urban areas and some of the rural areas of our State. They are all affected. It is not one central urban area.

To utilize the factors of fraud and abuse which really occured in the late 1970's, as an excuse to eliminate the program, to me is invalid. The final regulations for this program have limited the program to political subdivisions of government and schools. This in turn will allow the State agencies to limit sponsors to responsible fiscal and administrative organizations.

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[1] See p. 274 for the prepared statement of Mr. Ohlzen, see also p. 284 for the resolution.

Further, this is a Federal program where assistance is provided directly to the recipients and the cost effectiveness is very readily determined. There is little or no administrative experience involved. In fact, the Illinois allocation for administration is $183,000.

Turning to the special milk program, Public Law 78-35 eliminated the special milk program in all schools where the U.S. Department of Agriculture funded food service program is in existence. As a result of this change, consumption in the Illinois schools declined 8½ million half pints of milk in September of 1981 compared to 1980. However, to us the question of the economics of eliminating the special milk program in view of the dairy price support program is questionable. As we interpret the current program, let us look at the logic of a cost saving of eliminating a 5-cent subsidy on fresh milk to students.

When students consume 20 half-pints of fluid milk, the saving is $1. Now that they are no longer consuming this fluid milk, it is our understanding that the milk would be eligible for price supports. One of the price support programs would be the processed American cheese program. The cost to the Federal Government for consuming 20 pints or 10 pounds of milk, if it is converted into processed American cheese, is $1.46. If it is consumed by students under the special milk program, it costs $1.

I cannot understand the economy of trying to eliminate the special milk program when it costs us 46 cents more for every 20 half pints of milk that go into cheese and then I have to be honest and say we are giving away cheese, something like $150 million worth of it.

I take my figures from the fact that the Department of Agriculture told us that the current value of a pound of cheese averages $1.46 a pound.

Again, I question the savings to the taxpayers of eliminating a dollar's worth of subsidy to put fresh fluid milk into schoolchildren and instead putting it into processed American cheese or similar products at $1.46 a pound plus storage and transportation and all of the rest of the programs that occur with it and then we give away the cheese without any question of the eligibility of the recipient.

Thank you.

Senator LUGAR. Thank you very much.

Mr. Healy.

STATEMENT OF PATRICK B. HEALY, EXECUTIVE SECRETARY, NATIONAL MILK PRODUCERS FEDERATION

Mr. HEALY. Much of what I came here to say has been said. It is a particular delight for me to follow Mr. Ohlzen and hear what he had to say and I, of course, join him in his testimony.

I would like to submit my statement for the record and make two brief points.[1]

Senator LUGAR. It will be published in full.

Mr. HEALY. First, I would like to concur and enlarge on what Mr. Ohlzen said regarding the special milk program. The program was restricted just a year ago, a year and a half ago, to schools which have no other food service. You have heard this morning just a parade of witnesses listing the number of schools that were dropping the school lunch program, leaving the only nutrients, controlled nutrients going into those schools going in under the school milk program. We think the demise of the special milk program would be a great disservice to the nutrition of our schoolchildren and more particularly, Mr. Chairman, to their nutrition education, things they will learn there that they will carry through their lives if they are properly taught in the schools.

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[1] See p. 286 for the prepared statement of Mr. Healy.

We think it would be a great tragedy to discontinue the milk program, indeed with the track record of the school lunch program, the fact that it is being diminished because of the diminished funding—a very good case could be made for building the milk program back to where it was 3 or 4 or 5 years ago.

This I recommend to you for your serious study.

The second point regards commodity distribution. In many instances we have commodities in Government warehouses that have been bought and paid for and the money spent. To what better use can this commodity be put other than teaching children how to eat and feeding hungry children. We should indeed make certain that every effort is made both within the school system and in the Federal Government that calls are made upon, and commodities from warehouses are delivered to schools, where they can be adequately used. I hear that OMB opposes the commodity distribution. It opposes the bonus programs in the schools. I think it does this on the basis of faulty understanding of its own accounting system. It buys a pound of butter, spends a dollar and a half. It does not consider that it has spent the dollar and a half so long as it has the pound of butter. It has an asset and therefore has not yet spent the money when in fact the money is gone and spent several times over.

The commodities are there. They should be used. They should be given the children, to the needy of this country where they can properly help nourish our people.

Thank you.

Senator **Lugar**. Thank you.

Dr. Clancy.

STATEMENT OF DR. KATHERINE L. CLANCY, PRESIDENT, SOCIETY FOR NUTRITION EDUCATION, AND MEMBER, BOARD OF DIRECTORS, NUTRITION CONSORTIUM

Ms. **Clancy**. Mr. Chairman and members of the subcommittee, I am Katherine L. Clancy, president of the Society for Nutrition Education and member of the board of directors of the National Nutrition Consortium.[1] I am here today speaking on behalf of both of those organizations about the nutrition education and training program. I want to tell you what the NET program has accomplished to date, what it can accomplish if allowed to continue, and what its elimination will mean.

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[1] See p. 288 for the prepared statement of Dr. Clancy.

I am asking that the members of this committee support the NET program by continuation of the 1982 funding level of $5 million.

As you know, the NET program came into existence in 1977 and really was not operating in the States because of a number of administrative delays until 1979. The goals of the program are listed in my testimony and they include: Teaching children about the relationship between nutrition and health; training school food service personnel in good school food management and also in nutrition; instructing teachers in sound principles of nutrition; and encouraging them to develop nutrition education programs in their schoolrooms and developing and using classroom and lunchroom materials and curricula.

Thus, the NET program, as it was set up, not only teaches the concepts of nutrition to teachers and service workers but gets that information into the classroom and lunchroom where the children are.

Clearly the NET is one of the smaller programs you are dealing with. We think it is very worth noting, however, that in spite of the limited amount of funds, NET has had extensive outreach and has bought a lot of good impact for the small investment that has been made. With a budget of $15 million per year, by 1980 the NET program was operating in 52 States and territories and had reached over 5.7 million students, 212,000 teachers and 104,000 food service personnel with nutrition education information. Obviously with the $5 million that we have received for this fiscal year, those numbers are going to drop but I will go on to tell you why we think it is important that the numbers that are there are at least maintained.

There has been a major evaluation done by USDA, conducted by ABT Associates. Although that evaluation was started when the program was just getting underway, I think even the ABT people were amazed to see how well it was operating. This included the fact that funds were being distributed and used exactly as intended; the the great majority of State coordinators and project directors were working toward the goals intended by the legislation; a number of different models and programs were developed; and very positive outcomes were being recorded.

The findings of these early evaluations indicated that the program was consistently leading to increased levels of nutrition knowledge and that food preferences were being affected positively and those food preferences that were being changed were being translated into better behavior in the lunchroom.

Let me give a couple of examples: In California overall plate waste decreased 26 percent. In a local school district in Oregon the NET program resulted in a number of changes the inclusion of parents in the nutrition education of their children and reductions in the fat and sugar content of school meals and restrictions on the sale of soft drinks.

Data from Washington State indicate that food service management training workshops not only provided a greater awareness of basic nutrition knowledge among those attending the workshop, thereby improving the school cafateria menus, but also resulted in improved communication among food service personnel, principals, teachers, and students.

We know of some success stories all around the country with regard to the NET program and we think there is a lot of evidence that the program is working and working very well.

Clearly in the face of all this, we think it would be a tragedy to eliminate this new program before it has had a chance to prove it can work on a broad scale.

I have three major points to make about why we do not think the program should be eliminated: First of all, it is cost effective. Studies are underway which that some of the plate waste decrease that has already occurred in the State of California has been seen in other places around the country.

We want to point out that NET specified that projects have to be administered by the State educational agencies and that the agency at that level is very efficient and effective.

This structure has allowed the program to be efficiently run and also has provided each State with an assessment of the nutrition education needs of its students, teachers and school food service personnel. Elimination of the NET program will mean loss of this expertise as well as the motivation to use this information.

When Congress initiated the legislation for the NET program, it did so because it found that children really did need to know about nutrition and health. School food service workers are also trying to decrease plate waste in the programs to save money and to make the meals as nutritious as possible. We think the program has made a good start but we know only a small percentage of those affected have been reached so far.

A move to eliminate the program at this time will be a signal to both the food and nutrition community and the education community that this Congress, and this administration's commitment to the schools, parents, and children has ended.

We believe that would be a mistake and we ask that you continue your support for this small but far-reaching program.

Senator LUGAR. Thank you, Dr. Clancy.

Yesterday, USDA testified that as much as 88 percent of the milk served in the special milk program goes to so-called nonneedy children. What is your general experience and if this is the case, how high a priority should the program have in relationship to the other programs that we heard about today that serve larger numbers of needy children?

Mr. OHLZEN. I have trouble reconciling what this word "nonneedy children" means. To me, and including myself at my age, I think milk is an essential part of our diet. If they are nonneedy in the sense that they can get along without milk and go on colas, I would give anybody quite an argument.

If you look at the total meals or participation in the school lunch program in Illinois right now, we are almost 50 percent free and reduced and 50 percent paying children. Just to enter into the record, we have, in October of 1981, compared to 1980, we had decline of 225,000 students a day in the lunch program and 75 percent of those were paying children. So I am not so sure that that line of needy is very well drawn.

But to get back to your specific question, if you just take our meal figures, half of the milk consumption would be by needy children, based on the $11,600, for the family of four, which I do not see how anybody could live on. But that is another issue.

Senator **Lugar**. Let me ask this question of you and Mr. Healy. Both of you know that the committee has wrestled with the whole problem of surpluses in the dairy area. Certainly the example Mr. Ohlzen used of converting fluid milk to cheese is an expensive situation and then giving away the cheese comes back to haunt us in many ways. I suppose a case could be made, and I know that Mr. Healy has worked with the committee to try to determine how we can come into a better relationship in terms of the supply of milk and milk products in the country to begin with—it could well be, and what you are suggesting is if we have already made some errors in this respect, they should not be compounded—are you testifying that it would be a good public policy for us to attempt to work off our surpluses of dairy products that are now in cheese or butter or however through this program? This is not really a part of our hearing precisely but you sort of raised that problem and hopefully could give us some guidance as to how we come into a situation where we do not have the surpluses to begin with and have a greater equilibrium.

Mr. **Healy**. I think what we all have been saying is we do not want you to take action, do not want the Congress to take action which will create more true surplus. Let us use these programs which are economic and Mr. Ohlzen's conversion rate there is very right. The money is going to be spent at least this year. I think the question before the Congress as regards the milk program, do we want to spend it to facilitate nutrition and nutrition education among children or do we want to spend it to buy the surplus and put it into a warehouse to save.

As regards what we are talking about today, I think that is the sole question and there is no doubt what the proper answer to that is.

As regards the general surplus situation, I think that all of us wrestled with it day and late night for a year, it is my hope that before too many weeks are out I will be able to bring a program to this Committee which will go a long way toward restoring equilibrium between supply and demand and will at the same time limit Federal budgetary exposure.

We are, within my organization, currently developing a plan which is funded jointly by the Federal Government and the dairy farmers so that as the surplus goes up, the farmers' check-off goes up, his net price goes down, the incentive to produce is reduced. As the surplus goes down his funding call is limited. His net income will increase and he will get the signal, yes, the market can stand more milk.

My organization is very excited about this and I think it can well serve to bring about the equilibrium that we all seek at reasonable prices, both in the market and on the farm.

Senator **Lugar**. This is really important news. But as I understand your testimony, Mr. Healy, you were saying during this present year we have enough?

Mr. **Healy**. The milk is there. We have the cows and heifers. We have the milk. Do you want to facilitate its use by children and the needy or do you want to buy it and put it into John Block's warehouse? It is very simple.

Mr. **Ohlzen**. My recommendation is that a flat rate of 5 cents of Federal assistance for every half pint of milk served to school age children should be restored as soon as possible. Just a flat 5 cents. I think this will go a long way in helping reduce the subsidy. I can remember in the early days when the special milk program first came into effect. There was a tremendous dairy surplus. One of the things the National Association and the National Dairy Council and a number of us did was a program with adults and it was very simple. We simply put the word out through the waiters and waitresses that there were a number of people around the country, that when you took their order for a meal, if you suggested milk, you got a silver dollar. I still carry mine as a souvenir. That did a tremendous amount. We cannot count on the Federal Government to market anybody's product. It behooves us to work to get consumption up. I think this one worked very well.

Mr. **Healy**. Mr. Chairman, I would like to indulge myself a moment. In 1954, late 1953 and early 1954, the dairy industry found itself in the same supply-demand situation that exists today and I went to the House side at that time and met with Congressman August Andresen. He is long since dead. He and I sat in his room for 3 days and developed this special milk program. So I have a very highly proprietary interest in it and you can be sure I will be coming to you quite often for the want of some money to keep it going. It is mine.

Senator **Lugar**. Senator Leahy.

Senator **Leahy**. Senator Dixon has one of his constituents present. I yield to him.

Senator **Dixon**. I thank you.

Mr. Ohlzen, you testified about the summer feeding program. As you know, some of us were successful in continuing that program for this summer with some changes in the rules and regulations, providing that the program would be operated by State and local governments without any private participation in the program.

In your experience, in your long experience in Illinois, has the summer feeding program been a success in the past?

Mr. **Ohlzen**. It has primarily in the Government and schools that operate it. The main problems, the fraud, the abuse of the program, showed up in nongovernmental agencies and I know I am not telling any tales out of school. The faults have been in people who saw a lucrative way of ripping everybody off, that went into the program purely for their own personal gain. The current regulations for fiscal year 1982, I would say, have eliminated 99 percent of the potential fraud and abuse of the program. I am quite anxious and so is my staff that administers this program to see how effective it will be this summer and we are pleased with the 50-percent eligibility requirement because that will almost exclusively limit it to the really needy children and eliminate any question in anyone's minds of it serving the nonneedy because it is where that you will find a county, district or school specific location where you will have 50 percent free and reduced-price meals and have an area around that of any higher economic level. It may be a few hundred dollars a year difference but it will be essentially the same.

Senator DIXON. You anticipated my next questions and I appreciate that because my view would be with the changes we made in the summer feeding program, the two considerable concerns that are always expressed by those opposed to these programs are pretty well answered.

First of all, we are directing the program for the truly needy in these, in general, metropolitan areas of our States.

And, second, by avoiding the private participation we are doing away with almost all of the fraud and abuse that has been experienced in the program in the past.

Would that be your personal experience?

Mr. OHLZEN. I would say that is 100 percent correct, Senator. With the governmental political subdivisions of the Government being a limitation of sponsors with schools, it gives them a very strong handle and the State agency and the Federal Government on responsible sponsors. The problem in the past has been the open liberal interpretation of who could be a sponsor. With the conditions as they are now under fiscal year 1982, and I have not had a chance yet to get my hands on the final regulations but in talking to the Agriculture staff, I am satisfied with what are in them. I feel we have a very, very sound program. I think this program probably more than any other child nutrition program has helped keep—I will say it the way I feel. The urban centers of the United States pretty well cooled down during the summer.

Senator DIXON. You continue to answer my questions before I ask them. Continue.

Mr. OHLZEN. Rarely are these progams just a sandwich handout. Most communities particularly when they are a governmental subdivision have some other form of recreational programs. A number of our programs are in the park districts. It keeps the kids that could get into trouble occupied. A well feed child will rarely start raising heck. I feel very strongly about this problem. Maybe because I was born and raised on the west side of Chicago and grew up in the Depression. I feel this is one of the most cost effective programs that we really have. It provides food directly to our real problem pockets of poverty. Chicago Housing Authority has a number of our sites. Housing authorities and community action centers in Rockford and Peoria are direct sponsors of the program and they are used to directly deal with the semidelinquent child. I just cannot speak strongly enough for it. I really think it is a very, very worthwhile program. We spend less than $3 million a year in Illinois on it. It certainly, to me, is very, very cost effective.

Senator DIXON. I thank you very much and I would like to conclude and yield to Senator Leahy by saying, given the very important observations you have made, based on your personal experience, and I would say—and I think you would agree, we ought to experience what is going to happen this summer under the last bill before we make new changes or eliminate a program that, in my view, will be cost effective, by serving the truly needy. It is going to have eliminated the opportunities for fraud and abuse that have been experienced in the past and it answers a very serious problem in the inner cities of our State and many other similarly situated States in the hot summertime.

For all of those reasons, this committee and the Congress ought to look again at this and continue the program at least at the level of what we are going to experience this summer.

Mr. **Ohlzen**. I strongly concur with that. I believe the results of this summer would be the best idea to judge next year's appropriation and operation. I do not believe it would be unreasonable for the committee to expect the results of the summer of 1982 to be available to them by November or December at the latest.

Senator **Dixon**. Thank you. I am delighted to yield back the rest of my time.

Senator **Leahy**. He anticipated your questions and you anticipated mine. So we are all set.

Senator **Lugar**. It is obvious good wave lengths are going between Senators and witnesses.

Dr. Clancy was not interrogated but your testimony certainly speaks for itself. It offers a good rationale for that program which I think has some support and has majority support on the committee.

Thank you very much for coming today.

I would like to call now on the next panel, the panel on food stamp changes: James Hacking of the American Association of Retired Persons; Loretta Schwartz-Nobel, author of "Starving in the Shadow of Plenty"; and Ted Brown from Indianapolis, Ind.

We ask each of the witnesses to give testimony for 5 minutes and then we will have an extended question and answer session. I will ask the witnesses I have called to the table to speak in the order I call them; first Mr. Hacking and then Ms. Schwartz-Nobel and then Mr. Brown.

PANEL ON FOOD STAMP PROGRAM CHANGES

STATEMENT OF JAMES HACKING, AMERICAN ASSOCIATION OF RETIRED PERSONS

Mr. **Hacking**. Thank you. I am here representing the National Retired Teachers Association and the American Association of Retired Persons. As I am sure you are aware, these organizations have large national memberships; together they number over 3 million persons age 55 and over.

I would like to submit my statement for the record and proceed to summarize.[1]

Senator **Lugar**. It will be incorporated into the record in full.

Mr. **Hacking**. One of my colleagues, Jo Reed, is accompanying me. She is a member of our legislative staff.

Senator, I am sure you are aware that inflation is the chief, and, indeed, I would say the transcendent concern of elderly. For more than a decade the rate of inflation has tended to ratchet upward to ever higher levels. In the process, this inflation has rapidly eroded the purchasing power of many of the elderly's income components and has reduced the value of the underlying assets they accumulated and put aside during their working years to provide themselves with supplemental income. The net effect is that over time the elderly's dependence on Government programs has been increasing. What we have seen, as we have looked back over the statistics compiled over the past decade, is that while inflation was taking its toll on the supplemental income components of the elderly and, in real income terms, pressing them downward toward the lower end of the income distribution scale, at the same time the net effect of all Government programs put into place since the late 1960's was to buoy up from the bottom of that scale, the poorest of the elderly. Thus the elderly as a group are tending to be increasingly concentrated in the lower portions of the income distribution—a position leaving them extremely dependent on Government programs for income. The statistics show that 25 percent of the elderly are within 125 percent of the poverty level.

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[1] See p. 291 for the prepared statement of Mr. Hacking.

The same economic factors that have so badly penalized the elderly as individuals, have also taken their toll on the programs the elderly are dependent on. Inflation is driving up their costs. At the same time the combination of related factors like low productivity, low rates of growth in real GNP and high unemployment has tended to reduce tax receipts that would have otherwise been available to fund the cost of these programs.

A recent survey we have done shows that the elderly support a comprehensive program to bring the rate of inflation under control and revitalize the Nation's economy. As part of such a comprehensive economic program the elderly want the budget brought into balance. The statistics we see now projecting Federal budget deficits in excess of $100 billion a year are frightening. There is not too much more that can be done to affect further economies in nondefense programs and their expenditures to wind down those projected deficits and bring the budget into balance and into greater harmony with monetary policy without doing drastic harm to those segments of the population, like the elderly, who are financially disadvantaged and extremely dependent on Government programs.

Therefore, the associations recommend we deal with the problem of soaring budget deficits by looking to the revenue side of the budget. That does not mean something further cannot be done on the expenditure side, to reduce the rate of growth in program spending, but we cannot accept further cuts in program benefits.

We would like to turn to the food stamp program specifically, review a little bit of what happened last year and set forth for you our views on three administration proposals advanced this year.

Elderly households were exempted from the 130 percent gross income eligibility limit adopted last year. However, other provisions that were adopted last year, especially the provisions to freeze and then adjust on a different basis the standard and excess shelter cost deductions will progressively reduce and deny food stamps to increasing numbers of elderly persons who have income from indexed sources. I am of course referring to people who are getting automatic cost-of-living increases from programs like social security for example.

For this fiscal year the administration has asked the Congress to reduce food stamp program spending by $2.3 billion. If the reductions proposed this year are enacted, and I am speaking specifically of the increase in the benefit reduction rate, the elimination of the

$10 monthly minimum and the inclusion of low-income energy assistance payments in determining food stamp eligibility and benefit allotments, the CBO calculates that close to 93 percent of all elderly and disabled food stamp households will have their benefits reduced or eliminated. Of these, some 26 percent would either be terminated or have their benefits reduced to such low levels that they would drop out of the program. What is worse is that most of these will be elderly women living alone.

When we look at these proposals individually, the statistical projections are more appalling. If the proposed increase in the benefit reduction rate is enacted, an elderly couple with only $417 of social security would lose approximately 57 percent of their food stamp benefits. Their benefits would fall from $336 to $144 a year. An elderly person living alone on a $285 a month income who did not have excess shelter or medical expense deductions would be removed from the program entirely, even though that person had income at only 80 percent of the poverty line. If the proposal to count low income energy assistance payments as regular income were implemented, all families receiving such assistance would lose food stamp benefits. Thus those who are most severely affected by extreme weather conditions—such as persons living in the Northeast—would be most drastically penalized for accepting assistance in paying for skyrocketing energy costs. Some would lose food stamp benefits altogether during the winter months. Others would be forced to make a choice between adequate food and adequate heating. If the $10 minimum monthly benefit elimination proposal is enacted, the CBO calculates that 850,000 households would either lose all their food stamp benefits or would find them reduced to less than $10 per month. Three-quarters of these households would be elderly or disabled households.

Given the statistics, the associations I represent have no choice but to oppose these three proposed cutbacks. Elderly food stamp recipients should not be penalized because of the program's sensitivity to unemployment and high inflation rates. It has to be understood that unlike other groups, the elderly who are food stamp recipients are much less able to make up whatever benefit losses they may sustain. They have little or no access to the labor markets and they do not share in tax cuts since they tend to have no tax liability.

We urge the members of the subcommittee to keep the statistics in mind as you review all proposals to cut back or otherwise change the food stamp program.

Thank you.

Senator LUGAR. Thank you.

Ms. Nobel.

STATEMENT OF LORETTA SCHWARTZ-NOBEL

Ms. SCHWARTZ-NOBEL. Mr. Chairman, and member of the subcommittee,[1] I have spent the last several years traveling around the country and speaking to the hungry in rural shacks, urban ghettos, on Indian reservations, and in middle-class homes. I have published reports in Washington, Boston, Chicago, Philadelphia, and nationally and I am the author of a book entitled "Starving in the Shadow of Plenty."

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[1] See p. 299 for the prepared statement of Ms. Schwartz-Nobel.

As you know, there are almost 30 million Americans living below the federally established poverty line. None are more vulnerable than the elderly. We are now facing massive across-the-board budget cuts that will affect the lives of these people.

According to preliminary estimates, the President's proposals will mean elimination or reduction of food stamps for 92 percent of all households with elderly or disabled people. The average loss is estimated to be about $16 a month. To most of us that does not sound like much, one dinner at a middle-priced restaurant. But we cannot measure in our terms or even comprehend what $16 means to an elderly individual living alone. Try for a moment to imagine yourself at 80 or 85 or 90 years old trying to survive on perhaps $200 a month. Then try to imagine that by the time you have paid your rent, your heat, your other expenses, you have little or nothing left for food. Your food stamp benefits may be the only money left for food. This is not a Democratic issue. This is not a Republican issue. This is a human issue. Over the years, and all across this country, I have seen men and women trying to survive on one meal a day, 5 days a week, provided free by federally funded food programs. The lunches are served at congregate meal sites or delivered to homebound elderly. They were intended as a supplement, one-third of the daily nutritional requirement. But over and over again across this country I have seen men and women who are so poor that this and the meager food stamp allowance, if they are lucky, are the only source of food.

In the Warsaw ghettos in the forties, when the Germans decided on massive extermination through massive starvation, they walled off the ghettos and they allowed 800 calories a day for food. Many of our senior citizens are already living on less than 800 calories a day. The result is a slow, low level chronic undernourishment and weakening. When death occurs, it is usually not characterized as death by starvation but it is hunger and malnutrition that have played a significant role.

Attached to your copy of my testimony is a recent study which shows that 44 percent of 2,000 successive patients admitted to a hospital in Chicago were suffering this kind of malnutrition. Reducing food stamp programs will cause it to increase dramatically. Since 1974, I have watched these men and women who come in with their shopping bags and their jars.

Dora was the first woman I ever watched remove a small plastic jar from her shopping bag. She was trembling. She put half of her spaghetti, half of her hamburger, half of her vegetable into it—that night she would have dinner. That is the position that millions of elderly people are in.

In Boston, I spoke to a woman who had once been a legal secretary. She was trying to survive without food stamps on these 5 meals a week. What she told me was that it was very difficult to save food to spread out over the weekend because she was so hungry that she would eat it all at once. On the day I saw her, she was particularly upset because she had been unable to stop herself from eating until only two green peas were left and, believe it or not, what she intended to do was get into bed after waiting as long as she could, eat the two green peas and then try to sleep through the weekend until Monday.

We got her food stamps and those food stamps helped her to survive.

At, the congregate meal sites that I have recently returned to, I have been told that they are no longer able to provide 5 meals a week. The lines of people have become so great that they are turning people away or allowing them 2 or 3 meals a week on specific days.

Now, we are also talking about taking away or reducing food stamps. These are men and women who worked hard for 30 or 40 years. These people symbolically are our mothers and fathers, grandmothers and grandfathers, aunts and uncles. They are the people who worked hard to build this country.

Now, at the end of their lives I believe we have an unwritten contract to take care of them as they took care of us. I am certain that you do not realize as you sit in comfortable offices between breakfast, lunch, and dinner and make decisions about food stamp benefits, that we are talking about survival. We are talking about starvation. We are talking about elderly handicapped people with nowhere to turn. They are living and dying cold and hungry and alone while we turn our thermostats higher and scrape food into our garbage cans and cut the budget.

I would like to invite you to join with us on a field trip that we are trying to organize to take anyone who is interested into the homes of some of these people. It is tenatively scheduled for March 12 and what we would like to do is have you see for yourself what these actions will mean.

Thank you.

Senator **Lugar**. Thank you very much for your testimony.

I would like to call now on Ted Brown.

STATEMENT OF ROY (TED) BROWN III, INDIANAPOLIS, IND., ACCOMPANIED BY CAROLYN BRICKEY, COUNSEL, FOOD RESEARCH AND ACTION CENTER

Ms. **Brickey**. I am Carolyn Brickey, staff attorney with the Food Research and Action Center and we are pleased to be here. Without further remarks I would like to turn it over to Mr. Brown.

Mr. **Brown**. Mr. Chairman and members of the subcommittee, I appreciate this opportunity to come to this hearing to talk about the importance of the food stamp program to me and my family. I live in Beech Grove, Ind., a suburb of Indianapolis. I have lived in Indiana all of my life. I think it is helpful for people like me to come before you to talk about how hard it is to feed my family and why we have needed the Government's help in the past year.

I am 33 years old, a Vietnam era veteran. I am married and have five children: Roy T., IV, aged 12, Thomas, aged 11, Dolores, aged 8, and two children not yet in school, Timothy, aged 4 and Joseph, aged 3. I have worked hard all my life and never needed any kind of government help until this past year. I honestly do not know how we would be making it these days without food stamps.

Until June of 1981 I was employed by Midstate Walls, a dry wall contractor, in Indianapolis. I had been working there for 6 months before I was laid off in June. I was able to get unemployment benefits of $141 a week until December when the benefits ran out. Then I had no income at all. I begged my former employer to take me back for whatever he could pay. I worked 3 weeks at $3.50 an hour for the last week of December and the first 2 weeks in January. My salary had been $8.65 an hour with fringe benefits before I was laid off. That was the last work I have been able to find. There are simply no jobs right now, even at the minimum wage. I have applications in all over town but so far have had no luck.

Before I worked at Midstate Walls, I worked for 4 years for Blackmore & Buckner Roofing contractors as a foreman in charge of yard operations. Before that I worked for RCA for 10 years as a stock handler. Each time I changed jobs for better benefits and pay. After I was laid off in June of last year the bottom seemed to fall out from under me and it has been very hard to make ends meet.

I moved my family to a duplex in November for a monthly rental of $170. We pay $105 a month for heat in the winter, $36 for electricity, and $25 for phone. Of course, it costs a lot for the other necessities my family needs such as clothing. Also, right now I have no insurance coverage. I cannot afford it and the lack of insurance really worries me.

It takes $120 a week to adequately feed my family. This month I received $367 in food stamp benefits. I understand this is the maximum benefit because I did not expect any income in February. Because of the high unemployment in this area, unemployment benefits have been extended. When I heard this, I immediately applied. Fortunately, I received my first check for $141 this past Saturday. These benefits will continue for 13 weeks.

Because I will receive this income, my food stamps will be less in March. I was told I probably will receive $215 in food stamps in March in addition to the free lunches my three school-aged children get at school. We budget our food costs very carefully and are by no means extravagant. We eat a lot of soup, stews, and beans but it gets harder and harder to make sure the kids get the right things like meat and vegetables and fruit. It is almost impossible to buy fresh fruit and vegetables since it costs so much for everyday things like milk and bread. I didn't have any real savings for my family to live on when I lost my job. It just took everything I made to take care of the family then. Of course, it has been much harder since June just to survive.

To help with our heat bill we are receiving $62 a month for a 3 month period and $12 a month to help with electric bills from a special energy assistance program. This money goes directly to the gas and electric company who credits our account. I have heard the President wants to count this energy assistance as income to us when figuring out how much we will receive in food stamps. This doesn't make sense. How can money I don't even see be counted as income to me? Also, if it is counted as income this means I will get less food stamps. Less food stamps means I will have to use more of my limited funds to buy food so other necessities may go unpaid, like my gas and electric bill. This proposal really is unfair.

Also, I understand the President wants to change the way a person's food stamp benefits are figured. I don't understand all of the specifics but it has to do with something called the benefit reduction rate. All I know is that I think the maximum amount of food stamps my family can receive if we have no income cannot adequately feed my family. I mentioned earlier that it costs us at least $516 a month to eat. Food stamps provide a maximum of $367. I was told that if the President's proposal to raise the benefit reduction rate passes, my family will receive $25 less in food stamps a month. With the costs of food going up all the time and my children getting bigger, this too doesn't seem fair.

To be honest all the talk I hear and what I read about the President wanting to cut back food stamps really scares me. We desperately need some extra help right now until I can find full-time work and get back on my feet financially. If we can't get this help, I don't know what we will do. I have worked hard all of my life and didn't ask to be laid off. Believe me I would rather be working than collecting unemployment benefits. If that runs out and I still don't have work, I am not sure what I will do. Without the other assistance like food stamps and school lunches, we would really be lost.

I am a member of the Faith Assembly Church in Beech Grove, Ind. The church people have been good to help us all they can, but there are a lot of people in the same financial boat in the church. I know quite a few other good people who have always worked and made their own way who can't find any kind of work now. I hope you and other people in Congress realize how serious the unemployment problem is for people like me. Everytime I read about a job or hear about a job and call the company and go to be interviewed, there are hundreds of other people just like me and the job is taken. I am talking about minimum wage jobs, too.

When you make decisions to cut the budget, please remember how me and others like my family could be hurt.

Thank you for letting me tell you my story. I need help right now and I am trying to get back on my feet, but folks like me just cannot make it on our own right now. It is a fact of life.

I would be glad to answer questions from the subcommittee.

Senator LUGAR. Thank you, Mr. Brown.

Senator Leahy, do you have any questions of the witnesses?

Senator LEAHY. I have of Ms. Schwartz-Nobel. I wish each Member of Congress would read your book, "Starving in the Shadow of Plenty," because it may destroy for a lot of people some very comfortable assumptions that we make, that we want to make, and that perhaps we have to make if we are going to keep on with some of the budget cuts that are being proposed.

With that in mind, I would like to ask you a question. Yesterday a number of witnesses told us that malnutrition and hunger have been pretty well eliminated in the United States. You faced, for years, precisely that question in the country. How do you respond?

Ms. SCHWARTZ-NOBEL. Simply that they are incorrect. It is absolutely without question not an accurate assessment of the status of the elderly and the poor in the country at this time. I have attached to my statement two things. One is a statement that points out that of 2,000 successive patients admitted to a Chicago hospital, 44 percent were coming in with seriously deficient diets. Another is a front page clipping from the Philadelphia Inquirer on February 10 saying that Archdiocese of Philadelphia cannot keep up as hunger and poverty spread. The food cupboards are emptying out because there are so many people requesting food and help there is not much left. There are millions trying to survive on one meal a day 5 days a week. This leads to chronic undernutrition. We make an assumption which is that these programs are supplements. We also do it with the WIC program. We assume that they are somehow meeting some additional needs that people have and that from somewhere else they are getting breakfast, lunch, and supper and food on weekends. It simply is not a fact for many, many people.

Senator **Leahy**. I spoke recently in Vermont at a dinner at which everybody was very well fed and during the question and answer period afterward somebody I know in my own State who has a very good income, a person who, by his own appearance, appears to be very well fed, challenged my assumption that we did have hunger in our State. I told him we could go in any direction except one from where we were speaking and within 20 minutes I felt I could show him hunger. The only direction was west because we were in a hotel on the edge of Lake Champlain and that was west of us. But I think I shocked him when I mentioned that 20-minute figure. It also shocked him when he found a number of people in basically the same affluent situation that stood up and they felt that we would not have to even go 20 minutes but 3 or 4 from right where we were.

Is my example typical only of Vermont or would you say that it is typical of the whole country?

Ms. **Schwartz-Nobel**. Virtually every area. I would say what happens, at least in my experience as I have traveled across the country, is that the names and faces change but the situations and conditions under which people live remain very, very much the same. Hunger is right here in Washington. One does not have to come to Philadelphia to see it. It is everywhere. In Fairfax County, I am told that the food pantries are out of food. The requests have become so great. At the food stamp offices, people line up at 5 a.m. in the morning hoping to get in. I think we are going to see crisis proportions being reached and I think it may have to get to that before some people are aware that this problem exists. You heard testimony from people yesterday that said there was no hunger or malnutrition. Martin Anderson said there was no poverty, that it had been wiped out. But at the same time the Government statistics shows that about 20.9 million Americans were living in poverty. This has remained a hidden problem. It is widespread and serious and it will become far, far more serious once the budget cuts take hold.

Senator **Leahy**. Thank you.

I have no further questions.

The testimony of all three members was excellent and I applaud Mr. Brown for coming here. I think that your statement—I can think of a number of people within my own State or any other State, not just Indiana or Vermont or California, you name a State, they could say much the same thing. I think you are very typical of people who have a very great work experience, suddenly they find themselves in a situation that they never expected to find themselves in. It is not a question of some welfare cheat. People want to go back to work. I have heard the very same thing in Vermont, whether some Vietnam era veterans or people who are a lot older than you and I who are used to working, wants to work. The whole thing is give me a job, I will work. I am sure your testimony was not an easy one for you and I appreciate that.

I may say, in regard to the Association of Retired Persons, I heard from an awful lot of people in my own—my own parent's contemporaries in Vermont and I do not mean that as a microcosm of the country but I have heard in other parts of the country people saying the same thing.

Senator LUGAR. Thank you, Senator Leahy.

I would concur that each of the witnesses in this panel has been moving and eloquent and I would compliment you and Senator Dole and the staff of the subcommittee and the staff of the full committee for inviting this panel and the other panels that we have invited today.

I have no questions. I simply am grateful to each of you. I think your testimony stands by itself.

Unless there are further questions or comments, we will recess this hearing, thanks to Senator Leahy, the ranking member of the subcommittee, and those who have participated and each of the witnesses.

[Whereupon, at 12:30 p.m., the subcommittee adjourned, subject to call of the Chair.]

APPENDIX

SUMMARY OF FOOD STAMP BUDGET REDUCTIONS ACHIEVED IN THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981 AND THE AGRICULTURE AND FOOD ACT OF 1981

	Budget Savings*	
	FY82	FY83
	(in millions)	
Inflation Indexing Revisions	$1,261	$572

Inflation adjustments to food stamp benefit levels, scheduled for each January under prior law, were postponed until October 1982 and each October therafter.

Inflation adjustments to the $85-a-month food stamp "standard deduction," scheduled for each January under prior law, were postponed until July 1983, October 1984, and each October thereafter.

Inflation adjustments to the $115-a-month ceiling on deductions for dependent-care and shelter expenses scheduled for each January under prior law, were postponed until July 1983, October 1984, and each October thereafter.

The method of calculating inflation adjustments to deduction levels was changed to eliminate the effects of changes in homeownership costs from the CPI used to calculate adjustments.

The method of calculating inflation adjustments to benefit and deduction levels was changed so that each adjustment would not reflect price inflation through the month immediately preceding the effective date of the adjustment.

Prorating First-Month Benefits	410	505

Rules governing the calculation of first month benefits for new applicants were changed so that first-month benefits will be prorated (reduced) to reflect the date of application.

Puerto Rico Block Grant	$ 70	$302

The Food Stamp program in Puerto Rico was ended, effective July 1, 1982; it will be replaced by a food assistance block grant, Federally funded at $825 million annually.

Lowered Income Eligibility Limits	95	114

For non-elderly, non-disabled households, a ceiling--set at 130 percent of the Federal "poverty levels"--was placed on the amount of gross income that eligible households may have.

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* SOURCE: Congressional Budget Office. September 1981 estimates, with adjustments for revisions to the Food Stamp Act made by the Agriculture and Food Act of 1981. Estimates will change with differing projections as to inflation and the performance of the economy.

Prior Month Accounting and Monthly Reporting .... (+21) 36

Beginning in October 1983, all States will be required to make eligibility and benefit determinations using the most recent report of a prior month's income; most recipients will also be required to report on their income and other relevant information monthly.

Repealed Increases in Deduction Levels 63 65

Increases deduction levels (and, thus, benefits) for households with medical or dependent-care expenses, scheduled for January 1982, were repealed.

Eligibility of Boarders and Parent-Child Households 60 65

Boarders were made ineligible, unless they apply as part of the household they board with.

Parents and children living together were required to apply together as a single household unit, unless at least one parent is elderly or disabled.

Eligibility of Strikers 50 55

Eligibility was denied to households with members on strike, unless the household was eligible prior to the strike or the striking member would not normally be required to work under food stamp rules (for example, a disabled person).

Lowered Earnings Disregard 48 51

The amount of recipient earnings disregarded in benefit calculations was lowered from 20 to 18 percent, thereby reducing benefits for those with earned (vs. unearned) income.

Improved Recovery of Overissued Benefits .... $ 25 $ 27

Households, rather than individuals, were made responsible for repayment of overissued benefits; States were required to collect overissued benefits in non-fraud cases either through reduction in future benefits or cash; States were allowed to retain 25 percent of collected overissuances; collection of overissued benefits was required to begin immediately in fraud cases, rather than delaying collection until the period of disqualification has expired.

Outreach 4 4

The requirement that States conduct "outreach" activities intended to inform people about the availability and benefits of the Food Stamp program was removed, and Federal funding of "outreach" prohibited.

TOTAL $2,065 $1,796

FY 1982 CHILD NUTRITION REDUCTIONS
in Budget authority enacted under P.L.97-35

(USDA estimates - July 21, 1981)

SUMMARY OF CHANGES:

1. EXTENSION OF TEMPORARY CHANGES MADE BY FY 1981 RECONCILIATION		$ 360 million
2. INCOME ELIGIBILITY CHANGES in addition to FY 1981 reconciliation		$ 270 million
3. SCHOOL LUNCH REIMBURSEMENT RATE REDUCTIONS		$ 519 million
a.Sec. 4 reimbursement from 20.25 cents to 10.5 cents and commodities from 16.75 to 11 cents	$447 mil.	
b.Safety net changed from 2.5 cents to 2 cents per lunch	$ 7 mil.	
c.Reduced price set at 40 cents instead 20 cents less than free	$ 60 mil.	
d.Eliminate high tuition private schools	$ 5 mil.	
4.CHANGES IN SCHOOL BREAKFAST PROGRAM		$ 26 million
5. CHANGES IN CHILD CARE FOOD PROGRAM		$ 91 million
6. CHANGES IN SUMMER FOOD SERVICE PROGRAM		$ 71 million
7. ELIMINATION OF SPECIAL MILK IN NON-FOOD ASSISTED SCHOOLS		$ 95 million
8. NET AUTHORIZATION REDUCTION from $15 to $5 million		$ 10 million
9. ELIMINATION OF FOOD SERVICES EQUIPMENT ASSISTANCE		$ 19 million
TOTAL REDUCTION IN CHILD NUTRITION PROGRAMS from FY 1982 policy base level of $5.26 billion		$1.461 billion *

* Does not include WIC and CSFP

FISCAL YEAR 1983 ADMINISTRATION PROPOSALS FOR CHILD NUTRITION PROGRAMS

A total of $3,191.2 million will be needed for the Child Nutrition Programs in Fiscal Year 1983 including $2,825.8 million from the Child Nutrition appropriation account and $365.4 in section 32 commodities. Included in these amounts are $334.4 million in costs reductions that will result from the enactment of the new legislative proposals.

In total the Fiscal Year 1983 budget request is a decrease of $21.0 million below the Fiscal Year 1982 level of $3,212.2 million including $2,846.8 million from the Child Nutrition appropriation account and $365.4 million in section 32 commodities.

Proposed Legislation

The Fiscal Year 1983 budget request for the Child Nutrition Programs reflects a $334.4 million reduction below the current services level as a result of the following legislation proposals.

-- Eliminate Department of Defense overseas schools from participation in the programs. $1.1 million savings in Fiscal Year 1983.

-- Transfer funding for program operations in Guam, the Commonwealth of the Northern Mariana Islands, American Samoa and the Virgin Islands to a block grant that will give each of the territories broad flexibility to fashion food assistance programs that serve the special needs of their residents. $11.7 million reduction in costs of the Child Nutrition Programs in Fiscal Year 1983.

-- Institute a General Nutrition Assistance grant in place of the School Breakfast and Child Care Food Programs. This will allow the States greater flexibility to set their own priorities in providing food assistance to children. $246.4 million savings in Fiscal Year 1983.

-- Eliminate the Summer Food Service Program. $63.6 million savings in Fiscal Year 1983.

-- Lower State Administrative Expenses to reflect the institution of the grant for General Nutrition Assistance and the elimination of the Special Milk Program. $11.6 million savings in Fiscal Year 1983 (excluding $.7 million cost reduction resulting from the territorial grant proposal).

General Nutrition Assistance

In Fiscal Year 1983 the budget proposes to establish a new program entitled General Nutrition Assistance which would combine the funding for the School Breakfast and Child Care Food Programs at about 80 percent of projected Fiscal Year 1983 levels for the two programs excluding family day care homes. The total funds requested for the new program are $488 million.

The new grant approach would:

-- provide the States with greater flexibility in setting their own priorities and allocating their resources to meet these priorities,

-- enable the States to design and implement child nutrition programs that would best serve the needs of their populations.

Appropriation Language

The proposed Fiscal Year 1983 appropriation language would:

-- prohibit the allocation of funds to the Summer Food Service Program,

-- merge the funding for the School Breakfast and Child Care Food Programs into a single general Nutrition Assistance grant and set a maximum level of $488 million to be allocated among the States based on their usage of funds for these programs in Fiscal Year 1981,

-- allow the payment of claims for meal service in July, August and September 1982 from the funds appropriated for Fiscal Year 1983,

-- provide authority to the Secretary, should the appropriation level be insufficient to fund all of the meals served in the programs at the reimbursement rates established by the National School Lunch Act or by the Child Nutrition Act, to allocate the funds among the States in a manner that best serves the needs of the programs.

FISCAL YEAR 1983 ADMINISTRATION PROPOSALS FOR FOOD STAMP PROGRAM

The budget proposes to make several changes in the Food Stamp Program that will result in about $2.3 billion savings in Fiscal Year 1983. Certain of these changes would be effective July 1, 1982 and save about $273 million in program costs during the final quarter of Fiscal Year 1982. The new proposals include the following:

-- Increase the benefit reduction rate from 30 to 35 percent effective July 1, 1982. Currently, the maximum benefit to which a household is entitled is reduced 30 cents for every one dollar of household income. -- $227 million savings in 1982 and $978 million savings in 1983.

-- Eliminate the $10 minimum benefit for all participants. If, however, the application of the 35 percent reduction reduces the benefit below $10, the participant would then receive the actual benefit -- effective July 1, 1982 -- $32 million savings in 1982 and $138 million savings in 1983.

-- Repeal the earnings reduction, effective July 1, 1982. Currently, 18% of all earned income can be excluded from the calculation of household income. -- $140 million savings in 1982 and $606 million savings in 1983.

-- Revise rounding rules to round down the calculations of the Thrifty Food Plan, deductions, and individual household allotments. -- $10 million savings in 1982 and $117 million in 1983.

-- Include all energy assistance payments as income to the household when determining eligibility for food stamps, whether the payments are made directly to households or to vendors on behalf of the household. -- $231 million savings in 1983.

-- Require job search at the time of application. -- $15 million savings in 1983.

-- Reduce error rate to 3 percent. -- $615 million savings in 1983.

-- Interaction costs. The effect of these new proposals interacting with the provisions of the 1981 Reconciliation Act and with the new proposals for Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI) will increase food stamp costs by $136 million in 1982 and $530 million in 1983.

-- Institute a consolidated grant for State administration which will include, in addition to food stamp costs, the administrative expenses associated with the Medicaid and AFDC. The new grant approach will save $43.3 million in Food Stamp costs in 1983.

-- Require States to bear the cost of work registration and job search activities. -- $80.3 million savings in 1983 (a reduction of $65 million from the 1982 level).

-- Total savings in the budget request. -- $273 million in 1982 and $2,293.6 million in 1983.

HEALTH AND NUTRITION PROGRAMS FOR WOMEN, INFANTS AND CHILDREN: FY '83 ADMINISTRATION BUDGET PROPOSAL

ISSUE DEFINITION

For FY83, the Administration has requested that Federal categorical funding for the special and commodity supplemental food programs for women, infants and children, estimated at $984 million for FY82, be terminated. In its place the Administration has proposed that $652.5 million be added to funding for the Maternal and Child Health (MCH) block grant program. Currently funded at an estimated $347.5 million, this MCH block grant program would be renamed Services for Women, Infants and Children (SWIC). The proposed block grant would provide for a total funding level of $1 billion for FY83 to be distributed to States for comprehensive health services for mothers and children. It is assumed that States would be required to include nutrition services as part of their health services for women and children. As of Feb. 12, 1982 legislation had not been submitted outlining the specifics of this SWIC block grant proposal.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

Mr. Chairman:

Before addressing myself to the substance of these hearings, I would like to salute you, Mr. Chairman, for the outstanding leadership you have provided in the area of food and nutrition programs. Over the years, you have provided intelligent and humane stewardship for these programs. You have always worked to ensure that our nation's neediest citizens -- especially our children, handicapped and elderly -- are protected from hunger, even when the politics of the moment made that an unpopular cause. Even last year, when the sentiment for large cutbacks in these programs could not be sidetracked, you introduced alternative proposals that achieved savings without exacting as much in human costs as other proposals before the Congress. It is a tribute to your political skill and the respect with which you are held by your colleagues that these proposals were enacted into law virtually intact.

It has been an honor and pleasure to work with you on these programs. Like you, I do not believe that hunger and malnutrition should be a partisan issue. And like Senators McGovern and Humphrey before me, I look forward to a continuing partnership with you in tackling the difficult problems that lie ahead of us.

I would like to join you in welcoming Miss Jarratt to testify for the Administration on the proposed FY 1983 budget for the Food and Nutrition Service. I do not, however, envy her position. From my perspective, the Administration's proposed budget is the wrong approach.

Most of us are aware that this budget was not formulated in the normal manner. That is, there was no careful assessment of food and nutrition needs of America's children and America's needy citizens and the formulation of policies to address those needs. Instead, this budget was formulated to meet hard and cold targets established by the Office of Management and Budget. USDA was left with the chore of deciding whose, not whether, benefits should be cut.

Mr. Chairman, I submit that there is nowhere left to cut in these programs. Last year, almost $4 billion in food and nutrition reductions were enacted. This represented about 10 percent of all reductions enacted last year in the entire budget. It should come as no surprise to anyone that the Administration's attempt to cut over $3 billion more this year would have devastating effects on needy Americans across the country.

Food Stamps

In the food stamp program, the Administration seeks

$2.8 billion in new reductions. This is in addition to the $3 billion in reductions enacted over the past two years. Last year, participation in the program was limited to the President's definition of the "truly needy." The new savings proposals this year cannot be achieved without massive, across-the-board benefit reductions.

According to USDA's own numbers, 84 percent of all current households would have their benefits reduced or terminated. Eighty-seven percent of all elderly households would lose benefits, with 28 percent of them being driven from the program. Ninety-three percent of all female-headed households with children would lose part or all of their benefits. Clearly, these cutbacks are not limited to so-called "high income" participants.

Furthermore, the Administration proposal to eliminate the deduction for work-related expenses would create a severe work disincentive. The Administration appears to be inviting low-income people to go on welfare, rather than work. This would constitute a most destructive social policy.

WIC

In the area of WIC, (our special feeding program for pregnant women, infants and small children) the Administration once again seeks a huge funding reduction. Last year, the President's efforts to cut WIC were repeatedly rebuffed by large bipartisan majorities in the Congress. I am hopeful that this year's proposal to cut WIC by over $350 million, or 37 percent, will meet a similar fate.

This year's proposal to shift WIC into the maternal and child health block grant could mean the end of the WIC program as we now know it. I see no justification for restructuring this highly successful program. Congress created the WIC program to address the pressing national concerns of high infant mortality, the incidence of low birthweight babies, and malnourished young children. I see no reason to dilute our efforts to address those problems now, especially with the deep social welfare cuts being enacted in other areas.

Child Nutrition

Unlike last year, the Administration is not proposing school lunch reductions. At the last moment, a decision was made to cut the school breakfast and child care food programs more deeply than planned, rather than reduce school lunch reimbursements further.

While I applaud the decision on school lunch the budget proposals on breakfast and child care are abysmal. These programs would be combined into what appears to me as an ill-conceived block grant, with a one-third funding reduction. This is on top of large reductions enacted last year.

Although it has avoided potentially devastating additional school lunch cuts, the Administration has chosen instead to target reductions on two programs that primarily serve low-income children. This is a poor trade-off.

The Administration again proposes elimination of the summer food service program.

Last year, the Congress studied this program closely and cut it roughly in half. Congress eliminated the category of sponsors where fraud and abuse problems had been found. It tightened the guidelines for public sponsors.

Now, before the effects of these changes can be measured, the Administration is trying to take away summer lunches from an additional one million poor children located primarily in inner city areas. Certainly no further action should be taken until the effects of last year's cuts can be measured.

Similarly, the Administration now seeks to eliminate the remainder of the Special Milk program. Last year, Congress followed the President's wishes exactly, eliminating over 80 percent of the program. Now the Administration wants more. Since the Special Milk program now exists only in schools without a lunch program, the President's proposal would eliminate the only subsidized meal program those schools have, and 140,000 poor children would no longer receive a free milk at school.

I fail to see the necessity of skimping on providing subsidized milk to schoolchildren who receive no other food assistance. If a school does not provide a subsidized lunch, should the children be doubly penalized and denied a milk as well?

Mr. Chairman, that concludes my remarks. I look forward to hearing the witnesses and discussing the issues with them.

(THE FOLLOWING MATERIAL WAS SUBMITTED BY SENATOR LEAHY:)

THE ADMINISTRATION'S NEW FOOD STAMP PROPOSALS

The Dimensions of the New Cuts

- $2.8 billion in new food stamp cuts are proposed for FY 83.*
- These are in addition to more than $2 billion in reductions enacted last year.
- The combined total of $4 - 5 billion from last year's cuts and from the new proposals approximate the dimensions of the cuts proposed in Senator Helm's food stamp bill last year.

The Impacts of the Cuts

The Congressional Budget Office estimates that:

- 93% of all elderly and disabled households would be terminated or have their benefits reduced. This would adversely affect nearly 2 million elderly and disabled households.
- 26% of all elderly and disabled households (560,000 households) would either be terminated or have their benefits reduced to such low levels ($1 - $5 a month) that they would drop out of the program.
- An additional 66% of the elderly and disabled (over 1.4 million households) would remain in the program but would have their benefits cut.
- Overall, 25% of all food stamp benefits now provided to the elderly and disabled would be eliminated.
- The working poor would be hit even harder. 41% of all food stamp benefits now provided to low income working families would be wiped out.
- 94% of the working poor households would have their benefits reduced or terminated. 23% would no longer be in the program, while 71% would remain but have their benefits cut.
- The average working poor family would lose $684 a year in food stamps.
- Overall, 85% of the entire food stamp caseload would have benefits reduced or terminated. 6.35 million households with about 17 million persons would lose benefits.

THE SPECIFIC PROPOSALS

1. Abolishing the earned income deduction

- 18% of gross earnings is now deducted in figuring food stamp benefits in order to compensate for taxes and work-related expenses. This deduction was reduced last year and is already less than the actual taxes and work expenses of many working food stamp families.
- Abolishing the deduction will result in dramatic benefit reductions for the working poor.

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* The Administration budget shows a net reduction in the food stamp budget of $2.3 billion, rather than $2.8 billion. This is because benefit cuts the Administration is proposing in other programs -- such as the Aid to Families with Dependent Children program (AFDC) -- would reduce families' incomes and thereby make them eligible for some additional food stamps. The Administration estimates that the cuts it is proposing in programs such as AFDC and SSI would result in $500 million more in food stamp benefits for affected families. As a result, the net change in the food stamp budget is $2.3 billion.

- Working families will get fewer stamps than those who have the same level of disposable income but do not work. For example, if one family earns $5,000 in take home pay while another family receives $5,000 in welfare or unemployment insurance, the working family would -- under the Administration proposal -- receive $300 - $400 less in food stamps each year than the family that did not work.

- Failing to provide an earned income deduction, and basing benefits on gross earnings, is equivalent to assuming that funds withheld for taxes or used for work expenses are actually available for food.

- The entire reduction -- $600 million annually -- is concentrated in that 17% of all food stamp families who work.

2. Raising the "benefit reduction rate" from 30% to 35%

- Most households would have their food stamp benefits cut by an amount equal to 5% of their disposable income.

- Some households would lose large proportions of their food stamp benefits. An elderly couple whose sole income is $5,000 a year in Social Security or SSI would lose 57% of its food stamps, as its benefits fell from $336 to $144 a year.

- The combined impact on the working poor of this proposal and the proposal to abolish the earned income deduction would be severe. A working mother who had two children and earned the minimum wage would have her stamps cut from $66 a month to $9 a month, despite the fact that her gross income (which would be less than $7,000 a year) is below the poverty line.

- Raising the benefit reduction rate and eliminating the earned income deduction would also heighten disincentives to work. The "marginal tax rates" on working mothers would be close to (and in some cases, in excess of) 100%. For every additional dollar earned by a working AFDC mother, about $1 would be taken away from her through reduced AFDC and food stamp benefits, and increased taxes. By contrast, wealthy individuals in the highest income brackets lose no more than 50 cents for each additional dollar of income -- a feature of last year's tax bill designed to maintain incentives.

3. Eliminating the $10 minimum benefit for one and two person households

- Currently elderly or disabled households who are poor enough to qualify receive at least a $10 monthly benefit.

- Repeal of the minimum benefit means that several hundred thousand households -- most of whom are elderly or disabled -- would be dropped.

- Some of those dropped would be elderly persons living alone on Social Security or SSI checks of as little as $285 a month, or less than 80% of the poverty line. Most of those terminated are elderly women living alone.

- Several hundred thousand additional households would have their benefits reduced to less than $10 a month by the combined impact of this proposal and the proposal to raise the benefit reduction rate. Most of these households are elderly or disabled, also.

4. Reducing food stamp benefits if a family receives energy assistance payments

- Up to $5.25 in food stamp benefits would be cut for every $10 received in low income energy assistance.

- Families in the North would be hard hit.

- Energy payments do not provide extra money to buy food. Energy Department data shows that low income energy assistance payments offset less than a third of the energy price increases incurred by low income families in recent years.

- In many states, energy payments are sent directly to utility companies so the family never receives the payment.

- The elderly would be affected harshly be this proposal.

- Between one-third and one-half of the recipients of energy assistance are elderly or disabled. Some could lose their food stamps in winter months when energy payments lifted their income above the food stamp income limits.

5. Raising rents for families receiving housing assistance if the families also get food stamps

- Families who receive federal rent subsidies now pay 25% of their incomes for rent, with the government paying the remainder. Last year's Reconciliation Act required that rents be raised from 25% to 30% of income over the next five years. Now the Administration is proposing to raise rents much further by requiring low-income families to pay 30% of the combined total of their income plus their food stamps.

- Rent increases of 25% - 50% would be widespread. For some families, rents would more than double. (Under the Administration proposal, large rent increases would be spread over more than one year -- but eventually the full increase would be put into effect.)

- Data from a 1981 USDA study shows that 85% of all households who would have their rents raised are elderly households or female-headed households with children.

- The study also shows that 80% of those who would be affected have incomes below $5,000 a year, and about half have incomes below $3,000.

- AFDC mothers and children in the South would suffer particular hardship. Because welfare payments are so low in the South ($96 a month, or 16% of the poverty line for a family of three in Mississippi; $116 a month in Texas), food stamp benefits are large. If rents are raised $30 a month for every $100 in food stamps, then rents for many southern AFDC families will double or triple over coming years.

6. Making States pay for errors over 3%

- States would be required to reimburse the Federal government for all errors over 3% in FY 1983, 2% in FY 1984, 1% in FY 1985, and 0% in FY 1986 and succeeding years.

- Error rates this low are extremely difficult to achieve in programs like food stamps. Under this proposal, nearly every state would be sanctioned for substantial sums of money.

- 3% is an arbitrary figure and has no basis in program experience.

- There are already statutory requirements (enacted in 1980) that states with high error rates must steadily reduce their error rate or be subject to fiscal sanctions. In 1981, USDA issued $16.5 million in sanctions against 14 states for failing to achieve sufficient error rate reduction.

- Other Administration proposals would make it more difficult -- rather than less difficult -- for States to reduce errors. Under the Administration proposals, federal contributions for State costs in administering the food stamp program would be significantly reduced.

- The Administration proposal is not so much a serious attempt to reduce errors as it is an attempt to shift some of the program's costs to the States and thereby cut federal outlays. As much as $600 million in costs would be shifted to the States next year under this proposal.

7. Reductions in funding for state administrative costs

- The federal share of state costs in administering the food stamp program (currently 50% of state costs), would be significantly reduced. Federal contributions for state administrative costs in food stamps, AFDC, and Medicaid would be combined into a block grant and set permanently at 95% of the federal contribution in FY 1982. There would be no inflation adjustment in future years. OMB estimates this would reduce the federal share of state administrative costs in these three programs by 12% in FY 1983 and 25% by FY 1986.

- These reductions in administrative funding would cause serious problems for states and counties -- especially since they would come at a time when states would be subject to very severe penalties if they did not reduce error rates to extremely low levels.

[Reprint from the Washington Post, Feb. 12, 1982]

REAGAN BUDGET WOULD CUT FOOD STAMP AID FOR MILLIONS

FOOD STAMP HELP IN REAGAN BUDGET FOUND DEEPLY CUT

(By Spencer Rich, Washington Post staff writer)

Over five-sixths of all food stamp households would have their benefits cut or wiped out under President Reagan's budget proposals, according to the Congressional Budget Office.

About an eighth of the households—roughly 3 million people—would lose their benefits entirely.

These cuts would come on top of last year's, which took about a million people off the rolls.

The CBO figures, released yesterday by Sen. Patrick J. Leahy (Vt.), senior Democrat on the Senate nutrition subcommittee, indicate that the cuts would particularly hurt the working poor.

All told, working poor families would lose $2 out of every $5 they now receive; the average yearly loss per family would be $684.

Leahy said such cuts would amount to "encouraging people to stop working and go on welfare," just the reverse of the president's professed goals.

In elderly and disabled families, Leahy said, $1 of every $4 in present benefits would be lost; the average yearly loss per family would be $192.

In his cold state of Vermont, he said, many elderly persons "are barely making it now," and further erosion of their stamp benefits would make them face "a daily choice: eat or heat."

In his budget message, Reagan asked that food stamp outlays in fiscal year 1983 be cut from $11.8 billion to $9.5 billion by various means, including counting fuel-aid as income (the higher a household's income, the fewer stamps it is eligible for), cutting stamps 35 cents for every extra dollar of income instead of 30 cents as now, and making no further allowance for work expenses in computing income. The last provision will hit the working poor most heavily. The administration said its proposals would target aid more sharply on the truly needy. About 7.5 million families (21.8 million people) now get food stamps.

Leahy gave these examples prepared by his staff of how the proposed changes would work.

An elderly couple living on $425 a month ($5,100 a year) in Social Security benefits now is eligible for $312 annually in food stamps. Under the administration proposal, their food stamps would be cut to $108 a year. If the couple also was receiving $30 a month in fuel aid, their food stamp benefits would be wiped out altogether.

If one family were earning $5,000 a year in take-home pay by working, and another were getting $5,000 in welfare, the working family would end up with $300 to $400 less in food stamps than the non-working family.

The CBO study estimated that about 12 percent of all the households now on food stamps would lose them altogether under the administration proposals, and another 73 percent would suffer reductions, so all told 85 percent would be cut or wiped out. Among the elderly alone, 26 percent would lose benefits altogether and another 66 percent would have them cut, so 92 percent all told would be affected. Among the working families, 23 percent would lose all benefits and another 71 percent would suffer reductions, for a total of 94 percent affected.

USDA'S ESTIMATES OF CUMULATIVE IMPACT OF FY 1983 FOOD STAMP PROPOSAL PROPOSALS ASIDE FROM ERROR REDUCTION

	Households Becoming Ineligible for Benefits[a]	Households with Reduced Benefits	Average Monthly Loss of Benefits	Total Household Affected
	(Percent)	(Percent)	(Dollar)	(Percent)
All Households	16	68	17	84
Households with elderly	28	59	16	87
Households with earnings	19	71	54	90
Households headed by female with children	5	88	28	93
Households with income less than 50% of poverty line	1	59		
Households with income between 50-100% of poverty line	8	89		
Households with income 100-130% of poverty line	55	45		

(a) Includes households voluntarily discontinuing participation because of low calculated benefits.

Congressional Budget Office Analysis of Administration's Proposals for New Food Stamp Cuts[1]

	Households with Benefits Terminated or Reduced	Households whose benefits are either reduced to zero, or are reduced so low that they drop out[2]	Households who have benefits reduced (but do not drop out)	Households not affected	Average benefit loss for all households in each category	Percentage of benefits going to each category that is eliminated
All households (7.46 million households with 20.4 million people)	85.2% (6.38 million households)	12% (920,000 households)	73.2% (5.46 million households)	14.8% (1.06 million households)	$262 a year	18% of all benefits eliminated
Households with an elderly or disabled member (2.15 million households with 3.7 million people	92.3% (1.99 million households)	26% (560,000 households)	66.3% (1.43 million households)	7.7% (0.16 million households)	$192 a year	25% of all benefits eliminated
Households with earnings (1.27 million households with 4.91 million people)	93.7% (1.19 million households)	23% (290,000 households)	70.7% (900,000 households)	6.3% (0.08 million households)	$684 a year	41% of all benefits eliminated

1. Includes impact of raising benefit reduction rate to 35%, eliminating the earned income deduction, eliminating the minimum benefit, and counting energy assistance as income. Does not include impact of $117 million savings from revising rounding rules.

2. The 920,000 households whose benefits are reduced to zero or whose benefits are reduced so low that CBO expects them to drop out break down as follows: 1) 770,000 of the 920,000 households have their benefits reduced to zero, and 2) 150,000 households are expected to discontinue participation because their benefits would be reduced to $1 to $5 a month.

Note: These are preliminary CBO estimates. CBO expects that after additional work on the impact of counting energy assistance as income, the number of households pushed out of the program will be adjusted upward and will exceed 920,000.

United States
Department of
Agriculture

Office of
Inspector
General

Washington,
D.C.
20250

MAY 10 1982

Honorable Jesse Helms
Chairman
Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are the answers to the questions you submitted as a result of our testimony before the Nutrition Subcommittee on February 22, 1982.

Thank you for your continued interest in our operations.

Sincerely,

John

JOHN V. GRAZIANO
Inspector General

Enclosure

Questions Submitted by Senator Helms

FOOD STAMP PROGRAM

Question: Have you progressed with your investigation in California regarding Supplemental Security Income recipients who are receiving food stamps both in the form of a cash-out bonus added to the SSI grant and in food stamp coupons; and, if so, what are your findings regarding duplicate issuance?

Answer: Our audit in California found that for August 1980, over $300,000 in food stamps were issued to over 4,000 households identified on computer files as SSI households. However, the actual number of cases and amounts overissued will be less, as some of the identified cases resulted from coding errors. We recommended that all potential cases be reviewed, claims be prepared where duplicate benefits are confirmed, and that controls or edit checks to prevent duplicate issuances be incorporated into the computer system.

Question: During your testimony, Mr. Burke indicated that more attention needed to be given to the participation of retail stores in the program. What are your findings regarding frequency of violations by retailers? What must be proven in order to disqualify a store? Do you believe that increased disqualification periods could deter abuse by retailers? What would be your view of mandatory and permanent disqualification for stores which engage in trafficking of food stamp coupons or authorization to purchase cards?

Answer: The Food and Nutrition Service (FNS) has a Compliance Branch which investigates routine retailer violations of food stamp violations. During FY 81, the Compliance Branch conducted 4729 investigations, mostly of authorized retail stores. These investigations were initiated based on excessive redemptions and/or citizen complaints. Of the 4729 investigations, 2718 provided evidence of violations of the Food Stamp Program regulations, 1754 of these had violations severe enough to warrant disqualification, and 199 provided evidence of trafficking.

OIG conducts investigations of more violations of the law, including retailer trafficking. During FY 81, OIG conducted 172 investigations that were escalations of Compliance Branch cases, and obtained 90 indictments. We also conducted 450 additional retailer and wholesaler investigations based on other sources of information and obtained 417 indictments in this area.

FNS regulations and instructions regarding retail store disqualification tie the length of the disqualification period to the severity of the offenses, and to the store's prior compliance history. The criteria for final determinations according to FNS Instruction 744-9 are:

A Three-Year Disqualifications. A 3-year disqualification is the maximum period provided for in the program regulations and is reserved for unusually serious cases. A firm may be disqualified for 3 years if the firm has committed flagrant violations which result in major diversions of food stamps from their intended purpose, such as:

1 Buying large amounts of food stamps. As a general rule, $1,000 or more in food stamps purchased at a discount over the course of an investigation would warrant a 3-year disqualification.

2 Trafficking in Authorization to Participate (ATP) cards.

B One-Year Disqualifications. A 1-year period of disqualification may be assigned in the following circumstances:

1 Cases with previous compliance action should result in 1-year determinations if any one of the following situations is present:

a It is the operating policy of the firm as defined in section III B 1, above, to sell ineligible items, and on three or more occasions personnel of the firm are found to have sold major non-grocery-type ineligible items as defined in section III A 2 a, above.

b Major non-grocery-type ineligible items are sold on fewer than three occasions, but the item or items are so expensive that further evidence is not needed to establish the predilection of the firm to violate seriously.

c Personnel of the firm discounts food stamps for cash.

2 Cases witnout previous compliance action may result in a 1-year period of disqualification if any one of the following situations is present:

a At least one ineligible item of extraordinary cost, such as a used car or a color TV set is sold for food stamps.

b Food stamps totalling $100 or more are discounted on one or more occasions.

C Six-Month Disqualifications. This period of disqualification may be assigned in the following circumstances:

1 Cases with previous compliance action should result in 6-month determinations if the evidence shows that it is the operating policy of the firm as defined in section III B 1, above, to sell common grocery-type ineligibles as defined in section III A 2 a, above.

2 Cases without previous compliance action should result in 6-month determinations if the evidence is the same as that found in paragraph B 1, above. That is, it is evidence which would warrant the imposition of a 1-year disqualification if compliance action had been taken prior to the investigation.

D Ninety-Day Disqualifications. A firm shall be disqualified for 90 days only when the evidence is the same as that discussed in paragraph C 1, above, but previous compliance action had not been taken. As indicated in section III B 1 c, above, one of the prerequisites for a finding of store policy when only clerks are involved in the violations is that the case contain a record of previous compliance action. Since 90-day periods of disqualification are reserved for what would have been 6-month cases except previous compliance action was not taken, it follows that a 90-day disqualification should never be assigned to a case involving only clerks.

E Sixty-Day Disqualifications. A firm may be disqualified for 60 days if both of the following conditions exist:

1 Violations such as the sale of ineligible items occurred on at least three occasions and these violations are attributed to carelessness or poor supervision because the circumstances of the case do not indicate that violations occurred due to the operating policy of the firm as described in section III B 1, above.

2 There is previous compliance action.

F Thirty-Day Disqualifications. A firm may be disqualified for 30 days if one of the following conditions exist:

1 The evidence is the same as stated in paragraph E, above, but there is no record of previous compliance action.

2 There is a record of previous compliance action but a very limited number of ineligible items are sold in each transaction and the items sold are low cost cleaning and household items such as personal hygiene products, patent medicines, etc.

G Warning Letters. A firm may be sent a warning letter if the:

1 Evidence is the same as that described in paragraph F 2, above, but there is no record of previous compliance action.

2 Evidence is limited to only one or two sales of ineligible items.

3 Investigation discloses only minor violations such as the return of an endorsed $1 food stamp as change or a sale of a marginal ineligible item as defined in section III A 2 a (1), above.

We believe that for most retailers the threat of disqualification is a significant deterrent. For many retailers a high percentage of their business is food stamps and they would be unable to survive an extended period of disqualification. We support increased disqualification periods for large dollar traffickers and permanent disqualification for repeat felony offenders.

Question: During your testimony, Mr. Peterson mentioned the experience of the city of Detroit in mechanization of the certification process and the consequent reduction in issuance of duplicate authorization to participate cards. Would this type of system be feasible or advisable in other areas, particularly urban ones?

Answer: We are encouraged by the results reported by the Michigan State agency concerning Wayne County's electronic issuance system. However, a cost benefit analysis has not been performed to determine whether the system is cost beneficial for all areas. In addition, the expanding use of computer technology brings with it the need for "built-in" security controls in order to avoid problems more serious than those which the computer operation might have eliminated. However, it is our feeling that a properly designed, cost-efficient system would be useful in most urban areas.

Question: Mr. Burke indicated that the two largest factors in the error rate are underreported income and overstated household size. The General Accounting Office reported in testimony before the full Committee on March 29 that in an eight State survey, only one State verified all five areas which are available to them, and only one other of the eight States verified household size. Inasmuch as you indicate that household size is the second most important factor, what would be your reaction to requiring States to verify household composition?

Answer: We believe that verification of household size would be beneficial in reducing the food stamp error rate. However, one of the problems of requiring household size verification would be its implementation. Currently, there is no standard way of verifying household size. Birth certificates, school records and similar documentation could be required to be presented. However, these types of documents can be easily forged by persons intent on obtaining additional benefits. We believe that the recent requirement that all household members have a social security number will help with household size verification if eligibility workers are required to physically view the social security cards for all household members. This physical verification should be supplemented by computer programs or other reviews to ascertain that the social security numbers are valid and were issued to the persons in the household applying for food stamps.

Question: I know that the Inspector General's Office has been at the forefront of requesting legislation, now adopted, to require cross-matching of food stamp recipients with wage information submitted by employers. In January, the General Accounting Office also recommended that information on unearned income should also be cross-matched (in various Federal programs, including food stamps) in order to identify unreported income or assets. What is your reaction to this recommendation with respect to the Food Stamp Program?

Answer: We agree with the General Accounting Office that unearned income, such as interest and dividend income, would be useful in verifying income and assets in the Food Stamp Program. In terms of clientele, there are substantially more food stamp recipients with earned income than there are with unearned income. Thus, while we agree that the matching of unearned income would be useful on a periodic basis, there is a greater need for routine matches of earned income. The Department recently issued regulations proposing that no later than January 1, 1983, food stamp rolls be matched to Department of Labor wage data or to income data maintained by the Social Security Administration. Thus, for the immediate future, State agencies will need to implement matches of earned income. After such matches become operational, it would be beneficial to add matches of unearned income.

Question: In previous years the Office of Inspector General has urged that nonfraud overpayments be collected from recipients through offsets against future benefits. Congress adopted such a measure last year for all nonfraud errors resulting in overpayments, unless the overpayment was caused by State error. The General Accounting Office recently recommended that overpayments which resulted from State agency error should also be recovered through offsets from future benefits--as is done in the Aid to Families with Dependent Children program. What is your reaction to this recommendation?

Answer: We agree that overpayments resulting from State agency errors should also be recovered through offset from future benefits. However, care must be taken in drafting legislation to assure that States do not profit from their own errors. Currently, States are permitted to retain 25 percent of nonfraud collections resulting from client errors. All collections resulting from State agency errors should be remitted to the Federal agency.

Question: The Office of Inspector General has for several years urged elimination of wholesalers from participating in the food stamp program. While the Department has made significant headway in reducing the number of wholesalers through recent regulations, do you continue to support total elimination of wholesalers in the statute itself?

Answer: The regulations issued December 29, 1981, effective May 31, 1982, will limit wholesaler participation to those serving specific authorized group living arrangements, drug addict or alcoholic treatment programs, shelters for battered women and children, nonprofit cooperative food purchasing ventures, and retailers without access to a bank. We hope this will result in the elimination of most wholesalers. We recognize that the Food and Nutrition Service wishes to allow group purchasers to get the best value for their money by buying at wholesale rather than retail prices. However, from an investigative standpoint we would still prefer that all wholesalers be eliminated from program participation, as any loophole is likely to be exploited. We also do not believe that a retailer would not have access to a bank. To illustrate my point, there are no authorized wholesalers in States which are sparsely populated, such as Montana, Nevada and Idaho. If retailers in those States can deal with banks, retailers in other States can also do so.

Question: During your testimony, Mr. Peterson mentioned an initiative being undertaken by the Department to suggest the inclusion of overpayments as income for tax purposes. Would you outline this concept further?

Answer: We believe that overpayments not collected after reasonable efforts should be referred to the Internal Revenue Service for offset from any tax refund that may be due. If no refund is due from which to make an offset, the Internal Revenue Service may want to consider whether the recipient correctly reported his/her income during the year(s) when fraudulent benefits, which should have been reported as income, were obtained. The idea is that this would enhance collection activity and may even help to encourage voluntary repayment.

Question: The Auditor General in the State of Florida has reported some concerns about the ease with which house-to-house trade routes--often called "rolling stores"--are permitted to participate in the food stamp program, and he cites several problems in Miami. What strengthening of verification, if any, would you recommend for such stores? What would be your reaction to eliminating the eligibility of such stores in urban areas?

Answer: OIG has also been concerned over the possibility of nonexistent rolling stores. OIG Audit conducted a survey of all authorized retail stores in Austin, Dallas and Houston, Texas, and New Orleans, Louisiana. We found that all firms were apparently legitimate. Due to the possibility of abuse, we would like FNS to tighten its application review process for such stores. However, we would not support eliminating their eligibility. Many poor people, particularly the elderly, depend on house-to-house merchants. Eliminating such merchants would limit competition and thus increase food prices in areas where prices are already inordinately high. We do not feel the weaknesses disclosed thus far justify such a drastic measure.

Question: The Auditor General in the State of Florida has also reported concerns about the "authorized representative" provision of current law whereby a recipient may "designate" a representative to appear for him during application, receipt and use of food stamps. Have you found this to be an area subject to abuse? This provision was aimed primarily at helping legitimate shut-ins such as elderly and disabled and those working during the week. What would be your reaction to specifying that only those groups be allowed to designate an "authorized representative"?

Answer: We agree with the Auditor General of Florida that the authorized representative provision can be misused to fraudulently obtain benefits. We have had a number of cases where this provision was used by persons obtaining multiple benefits and by caseworkers in order to redeem illegally obtained ATPs. In one case, a person who was purchasing large quantities of ATPs informed a bank that he represented a church that acted as the authorized representative of the elderly parishioners. He even installed a phone line in the name of the nonexistent church to answer bank inquiries. We believe the use of authorized representatives should be limited to those who are unable to obtain their own food stamps due to disability or work requirements. Additionally, the authorized representative should be interviewed by a caseworker and clearly identified in the case file.

Question: Another area which the Office of Inspector General has urged in recent years is up-front verification at the time of certification for food stamp participation. How are various pilot projects proceeding with such verification, and what are the possibilities for the future?

Answer: As we previously stated, the Department recently issued regulations proposing mandatory matching effective no later than January 1, 1983. These regulations call for quarterly matching to wage data or semiannual matching to income data of the Social Security Administration. While up-front matching is preferable, it is not always the most practical, as wage data is at least three months old and income data is six months to a year old. The up-front verification would, however, show that an applicant did or did not have earned income in the past. The eligibility worker would then have to bring the data up to date through interviews with the applicant and/or collateral contracts with the indicated employer. While this may not be practical in every case, we strongly believe that earned income should be verified by matching to wage or income data and the resultant information made available to the eligibility worker at the time of the first redetermination of eligibility. Thus, in our view, no food stamp cases should be recertified for continued eligibility until income has been verified by a third-party source such as matching.

Question: Would you provide for the Committee a list of States which have applied for and/or have begun receiving 75% funding for anti-fraud investigations and prosecutions? Also, would you provide a State-by-State outline of prosecutions?

Answer: The States presently authorized for 75% funding for anti-fraud activities are:

Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
District of Columbia
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Kansas
Kentucky
Louisiana
Maine**
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Jersey
New Mexico
New York
North Carolina
Ohio
Oklahoma
Oregon
Pennsylvania
Puerto Rico
South Carolina
South Dakota
Tennessee
Texas
Vermont
Washington

**Administrative Fraud Hearings only.

The following States are in the process of applying for 75% funding:

Rhode Island
Delaware
West Virginia
North Dakota
Utah

The following States have expressed an interest, but have not yet made concrete proposals:

Iowa
Wisconsin

The following States have stated that they have no interest in 75% funding:

New Hampshire
Virginia
Virgin Islands
Wyoming
Guam

To date, only two States, Florida and Massachusetts, and one project area, Philadelphia, Pennsylvania, receive 75% funding for prospective activities. Bexar County, Texas, is applying for prosecutive funding. FNS and OIG plan to emphasize liaison with State and local prosecutors in the next year to encourage greater participation.

State prosecutions reported to FNS during FY 81 were:

Alabama	179	Nebraska	*
Alaska	2	Nevada	21
Arizona	47	New Hampshire	12
Arkansas	300	New Jersey	93
California	109	New Mexico	32
Colorado	*	New York	*
Connecticut	56	North Carolina	151
Delaware	*	North Dakota	*
District of Columbia	*	North Mariana	*
Florida	2320	Ohio	814
Georgia	378	Oklahoma	27
Guam	*	Oregon	268
Hawaii	20	Pennsylvania	97
Idaho	6	Puerto Rico	32
Illinois	*	Rhode Island	6
Indiana	59	South Carolina	128
Iowa	54	South Dakota	1
Kansas	*	Tennessee	100
Kentucky	122	Texas	*
Louisiana	136	Utah	*
Maine	*	Vermont	*
Maryland	17	Virginia	722
Massachusetts	419	Virgin Islands	*
Michigan	27	Washington	2
Minnesota	4	West Virginia	19
Mississippi	275	Wisconsin	26
Missouri	*	Wyoming	*
Montana	30		
		Total reported	7111

*Not reported.

STATEMENT OF DR. JEAN MAYER,
PRESIDENT, TUFTS UNIVERSITY

This is a sad occasion. We are talking about an attempt to roll back the only major social advance made in this country in the last 15 years, at a time when we should be exploring ways to improve and extend these programs to reach every unemployed or low-income worker. The problem of hunger and malnutrition due to poverty has been a very serious one in the United States. There are still some areas of concern, but it has essentially been solved by these large-scale federal feeding programs. Some, like WIC, were instituted, and all were expanded on an entirely bipartisan basis by a Democratically-controlled Congress and two Republican administrations working together. Their success has created a feeling of healing and solidarity in the nation.

Now this administration is trying to reduce food aid to needy Americans in the middle of a recession created and fostered by the national government as the most effective way to reduce inflation. If we accept these cuts, the immediate effect would be to impose additional burdens on those citizens who can least afford another blow, and, if the proposed transfer also takes place, on those states whose economies have been hit the hardest. In addition, these actions may be self-defeating from a purely economic viewpoint. In the long run, we are laying the groundwork for a return to the segregation of American society into the "poor" and the "rich," the unsatisfactory nutritional health of a large number of Americans, and the social dissensions that characterized the 1960's.

I think it is important to remember that these programs are an investment in the nation's health, keyed to the state of the economy. The return on some, like WIC, is becoming quite evident. For others, it is less quantifiable, but real. In the wave of social Darwinism that is sweeping the land, it has become fashionable to say that you don't solve problems by throwing money at them, but when the problem is hunger and malnutrition due to lack of money, money is the way to deal with it.

I think it is also important to remember what the past was like. When President Nixon called the White House Conference on Food, Nutrition and Health in 1969, by the best estimates we had there were some 20 to 30 million Americans who were too poor to buy a minimally adequate diet for themselves and their families. In 1967 a medical team sent by the Field Foundation had found areas of hunger and malnutrition in every part of the nation--rural and urban--and in every ethnic group. The worst off were those who are always the most vulnerable: infants and State Nutrition Survey showed similar findings.

The Conference recommended an expansion of our system of large-scale nutrition programs that in the next three years raised the number of food stamp recipients alone from 500,000 to 12 million and eventually to over 16 million.

In 1977 a Field Foundation team, many of them the same physicians, retraced their steps. They reported to the Congress that while in many areas (such as Appalachia) the facts of poverty had not changed, they found no medically demonstrable cases of malnutrition. "In the area of food, there is a difference. The Food Stamp Program, the nutritional component of Head Start, school lunch and breakfast programs, and to a lesser extent the WIC programs have made the difference."

Food stamps, in particular, have proven to be our prime bulwark against hunger due to poverty. It is the program many needy people depend on for three meals a day; the base on which the others rest. It was designed as an income supplement targeted specifically to food in order to ensure participants an adequate diet in times of economic stringency. It has functioned well. During the recession of 1973-74, the number of people on food stamps rose from 16 to 19 million, then fell back to about 17 million with the recovery. As the present recession has deepened, the number of recipients has risen once again, this time to 21.7 million. By contrast with the costs of Medicaid, which are predictably tied to the costs of health care, the costs of the food stamp program fluctuate with the national economy. The federal government is proposing that the states assume the administration of the program--with the added requirement for job searches--at a time when high unemployment means high eligibility, and when many states are cutting back on state services.

For example, unemployment in Michigan is running at 14.4 percent, well above the national average; tax revenues have dropped. The projected general fund balance for FY'82 is -2.9. Because there is relatively little federal spending in the Great Lakes region, Michigan gets back only 76 cents on every dollar sent to Washington. The National Conference of State Legislatures has reported that 12 states are forecasting deficits for the current fiscal year, and 17 expect surpluses of one percent or less. In total, 39 expect deficits or surpluses of less than 5 percent.

The food stamp program has never been munificent. The allotment is based on the USDA's lowest-cost Thrifty Food Plan for a family of four with elementary school children. The plan is not adequate for a family with one or two teenagers. For many, free or reduced price school feeding programs have helped to bridge the gap. In addition, the present allotment is based on the September 1980 figures for the Thrifty Food Plan--$233 per month, as opposed to the November 1981 figure of $244.50.

Parenthetically, I might add, that while there is certainly nothing wrong in the government distributing surplus cheese, I hope that we will not go back to the parallel distribution of commodities rather than food stamps. A system of commissaries run by the government to distribute food is more akin to the system of food distribution in the Soviet Union than to food distribution in the United States, which is characterized by the fact that by and large the same stores, certainly the same food chains, serve all Americans. In a sense, one may say that the great American supermarket serves as the communion table for the American people.

Of all the complementary categorical programs, the best direct evidence of effectiveness is for WIC. A number of studies have found a positive impact both on the outcome of pregnancy and on the growth and development of infants and children. Here minor monetary benefits of cutting back on the program can be balanced against major risks, including economic risks. Low birth weight is now the eighth leading cause of death in the United States, more strongly linked with neonatal mortality than any other variable. A baby under five and one-half pounds at birth, whether because of prematurity or impaired growth, is 20 times as likely to die in the first year of life than an infant of normal weight. Low-birth-weight infants who survive have a higher incidence of birth defects, mental retardation, growth and developmental problems, blindness, autism, cerebral palsy, and epilepsy than babies of normal weight. Given no prenatal care, a pregnant woman is three times as likely to produce a low birth weight child. Nutrition is a crucial factor in pregnancy. Women who do not gain sufficient weight or get the necessary nutrients have a greater chance than normal to bear a low birth weight or stillborn child. The risk is highest for girls under 19. About a third of the pregnant women enrolled in WIC are teenagers. About 30 percent of the women who apply are underweight when they are certified. Many are anemic.

To the evidence of fewer infant deaths under the WIC program, an incalculable benefit, we can add calculable medical savings. Low-birth-weight babies require more intensive hospital care, a longer stay, and more continuing medical attention than babies of normal weight. Over the long term, the costs of caring for one person with serious birth defects can be substantial. The mentally retarded now live an almost normal life span; today the price of nursing care for one mentally retarded individual runs between $50,000 and $60,000 a year, or, multiplied by 65, in the neighborhood of $3,250,000 over the course of a lifetime.

The majority of the recipients of all the food programs are children. By cutting down on them we are cutting down on the future of the country. While there is no doubt that the school feeding programs can be improved, there is also little doubt that poor children are better off with them than without them. It is ironic, in fact, that the school lunch program was begun partly because of the poor physical state of draftees in World War II. Lower-income children get a disproportionate amount of their daily food from school feeding programs. Various studies have found that between seven and 13 percent of the children studied come to school without breakfast. Undernourished children do not grow as well as well-nourished ones. It is difficult to educate children who are too hungry to listen.

While I realize that the elderly feeding programs, community meals and Meals on Wheels, are not under the jurisdiction of this committee, I would also like to point out that these simple, and not very costly, programs provide just enough nutritional care and personal attention to make it possible for many elderly people to remain on their own in society. For many individuals and their physicians the only alternative would be custodial care in a hospital or nursing home.

In the last 12 years these large-scale federal feeding programs have altered the face of the nation so far as hunger and malnutrition due to poverty are concerned. In the last 12 years we have also become increasingly aware of the very close links between good nutrition and preventive medicine, its critical role in a healthy pregnancy, normal growth and development, and the prevention or delay of degenerative diseases that begin with the onset of aging. Although it is difficult to quantify in assessing the costs and benefits of these programs to the nation, we should take into consideration the benefits of a healthy, productive population and the escalating costs of curative or custodial health care.

There are, of course, areas in which the programs could be improved and tightened. By and large, however, there is general agreement that the Department of Agriculture has been doing a good job of managing them equitably and efficiently. Although there have been charges of laxity and abuse in the food stamp program, and some can certainly be substantiated, I have yet to be convinced, in 12 years of overseeing the progress of the large-scale feeding programs, that the level of fraud approaches anything like that associated with the income tax. The bulk of the fraud seems to be perpetrated by dishonest merchants working with organized crime. Why take it out on the recipients?

In the last years, rather than inadequacy of governmental measures, a major problem in the programs has been inequalities in state and local outreach. In particular, migrant farm workers, some Indian tribes and people in our dependencies are still inadequately cared for. It is unlikely that turning administration of the programs over to the states or instituting a system of block grants rather than categorical programs would do anything to improve the situation. Very few of the states have the strict financial procedures, the computerized record-keeping, and the trained civil service to take over.

While the fact that something did not work in the past does not necessarily mean that it will not work in the future, the fact also is that the states must respond to local priorities and economic pressures. Throughout the nation, few states have increased welfare benefits to keep pace with inflation. In the past year, fighting their own battle of recession and unemployment, some have reduced benefits. Governor Snelling has estimated that meeting the new mandates proposed by the federal government will end up costing the states $10 billion a year. It has been calculated that the "new federalism" would amount to an average tax increase for the 50 states of 8.81 percent. How many states will be able to do so?

One can argue that block grants give the states more flexibility to design programs according to their citizens' needs, but this raises both the possibility that other needs will be judged more pressing, and the vision of a discouraging and expensive system of individual, federal and local regulations for the different programs. It could well lead to a disparity in benefits and benefit levels that will once again spur large-scale migrations to more generous states.

We do not want to get back to the situation where, as in the sixties, eligibility for assistance may become a subjective thing, depending upon whom you know or what you are willing to do in exchange for benefits. It may also be argued that the poor are now protected under the Voting Rights Act. But it is by no means certain that the poor receive equal protection under the law in every state.

I hope that we will look very carefully at the proposed changes, both in the programs and in the system of block grants, for their probable effects on individual recipients, the states, and the long-term health of the population.

STATEMENT OF DR. ALVIN M. MAUER, DIRECTOR, ST. JUDE CHILDREN'S RESEARCH HOSPITAL AND CHAIRMAN, COMMITTEE ON NUTRITION, AMERICAN ACADEMY OF PEDIATRICS

Mr. Chairman and members of the Subcommittee on Nutrition, my name is Dr. Alvin M. Mauer and I am director of St. Jude Children's Research Hospital. I am currently chairman of the Committee on Nutrition of the American Academy of Pediatrics. I have been a task force member of the National Research Council Committee on Nutrition of the Mother and Pre-school Child, and I have also served on the Advisory Committee on Nutrition Evaluation for the United States Department of Agriculture Food and Nutrition Service.

My presentation will focus primarily on the characteristics of the special supplemental food programs for Women, Infants and Children (WIC) and the commodity supplemental food program (CSFP) which has been administered by the Department of Agriculture. I will emphasize those characteristics which, in my opinion, must be preserved in order to maintain the effectiveness of these two programs.

In 1972, primarily due to the efforts of the late Senator Hubert Humphrey, Congress authorized the developement of a pilot program to test the efficacy of special supplemental foods for pregnant and lactating women and infants. The initial program was authorized for two years and was to be supported by funding levels of $20 million annually. The population eligible to receive these benefits is "pregnant or lactating women and infants, determined by competent professionals to be nutritional risks because of inadequate nutrition and inadequate income." The Congress also authorized an evaluation of this program so that its results could be reviewed by Congress at the end of the initial two-year period. The legislation was designed to study the efficacy of nutritionally defined food supplements in a population at high risk for malnutrition.

This program has grown during the past decade to the point that currently it serves two million people and has a FY '82 appropriation of $950 million. The companion program CSFP is older in history and smaller in scope. Foods in a supplemental food package are purchased in bulk by the U.S.D.A. and shipped to warehouses operated by the state or by local program operators. Currently, the population served is 120,000 people and the FY '82 appropriation is $30 million.

At this time there are proposals to remove both of these programs from the administration of the U.S.D.A. and transfer them to the Maternal and Child Health Block Grant system. This transfer poses a serious threat to the function of both programs by reducing funding levels by about one third and by a probable loss of some special features which would eliminate some of the beneficial aspects of the program.

One characteristic of these programs, which should be preserved to fulfill their intent, is the concept of eligibility requirements. These programs have been designed as preventatives for populations at high risk for nutritional as well as other health disorders. For the WIC program, the eligibility criteria have been further refined to define nutritional risk as a) detrimental or abnormal nutritional conditions detectable by clinical or anthropometric measurements; b) other documented nutritionally related medical conditions; c) dietary deficiencies that impair or endanger health; or d) conditions that predispose persons to inadequate nutritional patterns or nutritionally related medical conditions including, but not limited to, alcoholism and drug addiction. Consistent eligibility requirements must be maintained to assure continued service to those people for whom it offers the greatest benefit.

Another important feature of the WIC program is that the legislation requires that health services be available. WIC funds are not used to pay for health services, except for medical tests and specific equipment necessary to determine medical eligibility. In fact, only 20 percent of the funds may be used for administrative costs or other expenses unrelated to the provision of the food package. The availability of health services has been beneficial in that it has introduced many into the health system during particularly critical times of pregnancy and early infancy. This feature must be preserved for maximum effectiveness of the program, which is so intimately tied to health considerations.

From its inception, the WIC program has included an evaluation. In fact, many regional and national attempts at evaluation of the effectiveness of the WIC program have been attempted. Health- and nutrition-related data have been made available to the Center for Disease Control for ongoing analysis. Many of these attempts at evaluation have been faulted, but the fact remains that WIC is one of the few governmental programs of this nature for which an evaluation is not only possible but has been attempted. These evaluations have provided information of value not only about the program and its administration, but also about the health status of an important segment of our population. For the purposes of maintaining surveillance on the health and nutritional status of the people involved and to continue to improve the program itself, a system of evaluation must be maintained.

Through the WIC and CSFP programs, it has been possible to define on a nationwide basis the nutrition package to be provided. This definition has assured consistent supplementation to the diet in all programs and lends itself to modifications as new information is derived and conditions change. It is essential that inconsistent or inappropriate supplementation be avoided locally by continued assurance of a defined nutritional supplementation package.

The CSFP and WIC programs in their present forms have had periodic review by Congress, which has not only provided the opportunity for evaluation of programs' effectiveness but has also assured accountability for program administration. Assurance of continued and, in fact, improving effectiveness of these programs should be maintained through the opportunity for Congressional oversight.

Finally, reduction in funding levels would result in a reduction in the numbers of people served. The current figure of a little over two million people certainly does not over-represent the population in this country which can benefit by such nutrition supplementation at these critical periods in life. Reduction in funding would result primarily in a reduction in supplemental food available because of the relatively small proportion which is allotted to administrative costs. It is obvious that any possible deficiency achieved in administration could not absorb the proposed reduction in funding. Furthermore, the block grant system does not assure the level of program activity within the state. The proposal, therefore, would inevitably result in a serious reduction in the numbers of people served.

The American Academy of Pediatrics has indicated that whatever form the program takes in the future, the characteristics mentioned above must be preserved. The Committee on Nutrition unanimously considered the most appropriate continuation of WIC to be in its current form, to avoid the loss of features essential to maximum effectiveness and to maintain the level of current service.

Thank you for the opportunity of making this presentation before you.

STATEMENT OF
ROBERT GREENSTEIN
DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. Chairman and Members of the Subcommittee:

I am pleased to have this opportunity to appear before you again. The Center on Budget and Policy Priorities is a new non-profit research and analysis organization that focuses on programs and fiscal issues affecting low income and working Americans. The Center is supported by grants from foundations.

There is considerable discussion today of the need to restrain the growth of entitlement and benefit programs, which now account for 40%-50% of the federal budget. Before turning to the specifics of the new food stamp proposals, I would like briefly to share with you some observations on entitlement programs -- and the results of an analysis we did on how these programs fare in the new Administration budget.

As you know, we have two basic types of programs that provide benefits and services -- those which are available to persons without regard to their income (such as Social Security, Medicare, and other pension programs) and those which are limited only to those who are found to be in need because of low incomes.

These two categories of programs have very different income profiles. About 85% of the recipients of Social Security and Medicare, for example, now have incomes above the poverty line. By contrast, USDA reports that half of all food stamp households had gross incomes below $300 a month (and that the average household's income was $325 a month) even before last year's cuts. About 90% of food stamp households now have gross incomes below the poverty line during the period they receive stamps. Incomes for families in AFDC, Medicaid, low income housing, and similar income-tested programs are also quite low -- especially after last year's cuts.

Most of the federal funds in the entitlement and benefits area goes to the broad programs that serve all regardless of income -- and not to the programs targeted at the poor. While 40%-50% of the budget as a whole may be devoted to entitlements and benefits, less than 10% of the budget is devoted to the basic programs that are targeted at the lower income groups. The combined budgets for food stamps, AFDC, Medicaid, free and reduced price meals, WIC, low income energy assistance, low income housing programs, Title I education, employment and training programs, the social services and community services block grants, legal services, etc. -- comprise less than the budget just for medicare and military retirement, and about two-fifths of the costs of Social Security. Although there may be a popular perception that "welfare type programs" consume a third or a half of the budget, the facts are that these programs do fall below one-tenth of the budget. These programs are, of course, significantly less expensive than the programs with more universal coverage precisely because they are limited to those who are low income.

It was the programs targeted on the poor that took the largest percentage reductions last year. These same programs are slated for even more severe cuts in the new Administration budget. The Administration proposals include the following cuts for fiscal year 1983:

PERCENTAGE REDUCTIONS PROPOSED BY ADMINISTRATION FOR FY 1983 IN INCOME-TESTED AND NON-INCOME TESTED PROGRAMS

Entitlement and Benefit Programs that are Primarily Middle Class and are not Income-tested 1/	
Social Security	0
Medicare	4.3%
Veterans disability compensation	1.4%
Military retirement	0.5%
Civil service retirement	2.3%
Railroad retirement	4.3%
Guaranteed student loans	23.0% 2/
Total Percentage Reduction	1.5%

Programs that are Entirely or Primarily Income-tested	
Entitlements 1/	
AFDC	17.5%
Food Stamps	19.1%
Medicaid	10.4%
SSI	3.1%
School breakfast and childcare food program 3/	34.4%
Discretionary 4/	
Title I education	37.8%
Employment and training assistance	40.9%
Community Services block grant	73.7%
Legal services	100 %
Subsidized housing	128.2%
WIC/supplemental feeding	37.1%
Low income energy assistance	30.8%
Soc. Serv. Blk. Grant	30.1%
Total Percentage Reduction	44 % 5/

1/ Percentage reduction computed for entitlements based on OMB outlay estimates for current services and OMB estimates of savings from Administration proposals.

2/ Guaranteed student loans do have a means test for families over $30,000, but is listed in the left column because more of its beneficiaries are middle class than poor.

3/ School breakfast and child care food programs are listed in the means-tested column because 88% of the children in the breakfast program and over 70% in the child care program are low income children receiving free or reduced-price meals.

4/ Percentage reductions in discretionary programs represent reductions in appropriations (budget authority) and are based on CBO's current policy estimates.

5/ Proposals to rescind over $5 billion in budget authority for housing programs and to seek no new 1983 appropriations play a major role in pushing the reductions in this column to 44%. If housing programs are removed from the column the percentage reduction is 18% -- or 12 times greater than the left-hand column.

These figures show where the deepest cuts in the new budget are concentrated -- on the poorest families and individuals in our nation. Of the $290 billion in the seven more universal programs listed in the left-hand column, the new budget would cut about 1.5%. But of the less than $80 billion in programs targeted to low income groups, about 44% would disappear. And even if the rather huge reductions in low income housing programs are removed from the low income column, the reductions would still come to 18% -- or twelve times as great a percentage reduction as for the more universal programs that primarily benefit the middle class.

When we also recall that most of those depending on the means-tested programs receive little or no benefit from the tax cut, and that the majority of them also cannot work and will not share in benefits from any future increase in jobs (because they are elderly, disabled, children, or mothers caring for young children) -- then the basic question of fairness and balance stands out in even sharper contrast.

One final point on this issue. While the majority of beneficiaries of the programs targeted on low income families are white, these programs do serve minorities in numbers disproportionate to their share of the overall population. By contrast, minorities do not make up a disproportionate share of the more middle class programs that would be cut less deeply, and minorities receive a less than proportionate share of the new tax cuts. If we go ahead with the mix of budget and tax cuts as now proposed, we will be redistributing income to some degree from the non-white population to the white population, and we run serious risk of exacerbating the racial tensions that still exist in our society.

The new food stamp proposals

Last year, the Congress enacted over $2 billion in food stamp reductions. The new proposals call for $2.3 billion in further reductions.

The new proposals must be viewed as being qualitatively different from most of the food stamp cuts enacted last year. Last year's cuts were substantial, but the new cuts are far harsher -- especially in their impacts on the elderly and disabled, the working poor, and those whose gross incomes still leave them below the poverty line.

The preliminary Congressional Budget Office estimates show that under the new proposals:

- 93% of all elderly and disabled households would be terminated or have their benefits reduced. This would adversely affect nearly 2 million elderly and disabled households.

- 26% of all elderly and disabled households (560,000 households) would either be terminated or have their benefits reduced to such low levels ($1 - $5 a month) that they would drop out of the program.
- An additional 66% of the elderly and disabled (over 1.4 million households) would remain in the program but would have their benefits cut.
- Overall, 25% of all food stamp benefits now provided to the elderly and disabled would be eliminated.
- The working poor would be hit even harder. 41% of all food stamp benefits now provided to low income working families would be wiped out.
- 94% of the working poor households would have their benefits reduced or terminated. 23% would no longer be in the program, while 71% would remain but have their benefits cut.
- The average working poor family would lose $684 a year in food stamps.
- Overall, 85% of the entire food stamp caseload would have benefits reduced or terminated. 6.35 million households with about 17 million persons would lose benefits.

USDA's own estimates are very similar and corroborate the CBO numbers (in fact, USDA's estimate for the number of elderly being terminated is even larger than the CBO estimate). The new proposals cut sufficiently deep that several hundred thousand households with gross incomes below the poverty line would lose all their stamps. Many elderly and disabled persons living alone on SSI or Social Security income of as little as $285 a month -- or 79% of the poverty line -- would be eliminated from the program. Most such persons are elderly women living alone.

These figures are rather staggering. But there is a reason the impacts are so large. Today, students, strikers, those with expensive cars, and higher income families have all been removed from the food stamp program. Food stamp income limits have been lowered by Congress three times in the last five years, and the Administration's own official budget documents recently sent to the Appropriations Committees note that as a result of these cuts, there are now nearly 8 million fewer persons eligible for stamps than there were in 1977. The bottom line is that the families left on food stamps now are those who meet all the criteria President Reagan set last year to qualify as "truly needy." These families currently receive average food stamp benefits of 43 cents per person per meal, a level which does not allow much room for further cutting.

The Specific Proposals: Abolishing the earned income deduction

The proposal to eliminate the earned income deductions would result in dramatic benefit reductions for the working poor. Failing to provide an earned income deduction to compensate for taxes and work expenses, and basing benefits on gross earnings, amounts to assuming that funds withheld for taxes or used for work expenses are actually available for food. Clearly this is not the case.

Under this proposal, major inequities would arise between working families and those who do not work. Those who work would get fewer stamps than those who have the same level of disposable income but do not work. For example, if one family receives $5,000 in take-home pay while another family receives $5,000 in welfare or unemployment insurance, the working family would -- under the new proposal -- receive $300 - $400 less in food stamps each year than the family that did not work.

This proposal represents a $600 million benefit cut -- with all $600 million coming from the 17% of all food stamp families who work.

Raising the benefit reduction rate to 35%

Raising the benefit reduction rate to 35% would also have major impacts. This proposal is an across-the-board cut that reduces benefits for nearly all households (all except those with no net income).

Most households would have their benefits cut by an amount equal to 5% of their disposable income.

Some households -- especially the elderly -- would lose very large proportions of their food stamps. An elderly couple whose sole income is $5,000 a year in Social Security or SSI (a very common income level for elderly couples participating in these programs) would lose 57% of its food stamps, as its benefits fell from $336 to $144 a year.

The combined impact on the working poor of this proposal and the proposal to abolish the earned income deduction would be even more severe. A working mother with two children who earns the minimum wage would have her stamps cut from $66 a month to $9 a month, despite the fact that her gross income (which would be less than $7,000 a year) is below the poverty line.

Work Incentive Problems

In fact, one of the most serious problems posed by the new proposals is the strong work disincentive effects that would flow from ending the earned income deduction and raising the benefit reduction rate.

Last year's changes in the treatment of earned income in the AFDC program dramatically reduced the difference in disposable income between AFDC mothers who work and those who do not. A number of studies, including one by the Congressional Budget Office, warned that these changes would increase disincentives to work. When mothers who work end up with little more than those who do not -- and particularly when those who work lose Medicaid coverage for their children because of their earnings -- the advantages from working may disappear.

There is great danger in going further and placing new disincentives in the path of those who would otherwise work. This is what the new food stamp proposals would do. Working mothers who receive AFDC and food stamps would now, in a number of states, actually have less disposable income than those who do not work at all.

Each time a mother leaves a job or fails to take a job because of the built-in disincentives, the cost to the federal government climbs substantially. Federal AFDC and food stamp benefits are far higher for a family that does not work and has no other income than for a family that has some earnings, and therefore qualifies for smaller welfare and food stamp benefits. If the work disincentives in the AFDC/food stamp/Medicaid system become too great and fewer persons work, much of the savings the Congress thought it was achieving can disappear, and federal costs can actually increase rather than decrease.

Perhaps the most vivid illustration of how perilous it would be to proceed with these proposals is found by examining the "marginal tax rates" that would result if these new food stamp proposals were adopted. For each additional dollar earned by a working mother receiving AFDC and food stamps, between 85 cents and one dollar would be taken away (during her first four months on the job) as a result of reductions in AFDC and food stamp benefits and increases in payroll taxes.

After her first four months on the job, she would lose between \$1.05 and \$1.20 for each additional dollar she earned -- and would actually be worse off if she worked harder and earned a bit more.

There should be little question that marginal tax rates of this magnitude -- 85% to 120% -- would have definite work disincentive effects. It is noteworthy that wealthy individuals in the top tax brackets now lose no more than 50 cents for each additional dollar of income, a feature of recent changes in the tax code expressly designed to improve incentives and productivity.

Perhaps the most eloquent statement of the very real dangers from increasing marginal tax rates on the working poor participating in AFDC and food stamps is found in a brilliant article published in the Journal of the Institute of Socio-economic Studies in 1978 by a young Congressman from Michigan -- David A. Stockman. Stockman's article identified high marginal tax rates as the "analytical key to understanding the whole range of problems associated with the welfare issue." Noting that high marginal tax rates on upper income individuals decrease work incentives, Stockman observed "there is little reason to believe that the poor respond to high marginal tax rates any differently from the wealthy." He pointed out that welfare recipients "are subject to marginal tax rates that match or even exceed the marginal rates faced by our wealthiest citizens" and that they are "astoundingly high."

These high marginal rates directly result in reduced work effort by the poor, Stockman concluded.

Stockman also identified high marginal tax rates as one of the greatest causes of welfare and food stamp fraud. The high rates promote fraud, he said, because recipients are more likely to conceal earnings when so much of their earnings are "taxed away." Whereas the response of the wealthy to high marginal rates "is to shield their income from taxation through tax preferences, accounting gimmicks, and non-taxable compensation ...The only way the poor can shield income is to conceal it illegally or take it in the form of leisure..."

When David Stockman wrote this article, marginal tax rates for families on AFDC and food stamps were about 70%-80% -- lower than they are today and substantially lower than they would be if the new food stamp proposals are adopted.

Reducing food stamp benefits if a family receives energy assistance

Another proposal which would have harsh effects is the proposal to count energy assistance as income. Under this proposal, families would lose up to $5.25 in food stamps for every $10 received in low income energy assistance. The elderly and disabled would be the group hardest hit. The latest data from the HHS Department indicates that about 40% of those receiving energy assistance are elderly or disabled households. Some of these persons would lose all their food stamps in winter months when the energy assistance payments lifted them over the food stamp income limits.

There might be some logic to this proposal if the energy assistance program had been created simply to serve as a new form of income transfer program to free up funds for food and other purchases. But this is not the function that energy assistance serves. The energy assistance program was created to coincide with federal actions to deregulate oil prices and with OPEC oil price increases. Energy Department studies show that just between 1977 and 1980, the energy costs incurred by low income families rose by $6 billion a year. The low income energy assistance program is currently funded at $1.75 billion a year -- and offsets less than one-third of the increase in energy bills that low income Americans must pay. The energy assistance program does not provide extra money for use on food.

The experience of this winter, with its cold weather and high heating bills, should bear testimony to the hardship and suffering that would follow if this proposal were enacted. Were this proposal law today, poor families and elderly persons who are already having difficulty paying January's fuel bills would also be having their stamps cut at the same time.

Raising rents for families receiving housing assistance if the families also get food stamps

I am also concerned by the proposal to raise rents for all families living in assisted housing who receive food stamps. Up until last year's Reconciliation Act, these low income families paid 25% of their incomes for rent. The Reconciliation Act raised the amount they must pay to 30% of their income, a change which will be phased over several years. Now the Administration is proposing to raise rents much further by requiring low income families to pay 30% of the combined total of their income plus their food stamps.

Under this proposal, rent increases of 25% - 50% would be widespread. For some very poor families, rents would more than double. Rent increases of this magnitude would be spread over several years, but their full impact would eventually be felt.

This particular proposal may well be the most regressive proposal in the entire 1983 budget. The poorer a family is, the more food stamps it receives -- and therefore the more its rent would go up. The poorer a family is, the greater would be the amount of its rent increase.

Many of the families who would be affected are very poor families who cannot work. Data from a 1981 USDA study shows that 85% of all households who would have their rents raised are elderly households (most of whom are elderly women living alone) or female-headed households with children. The study also shows that 80% of those who would be affected have incomes below $5,000 a year, and about half have incomes below $3,000.

AFDC mothers and children in the South would suffer particular hardship.

Because AFDC payments are so low in the South ($96 a month, or 16% of the poverty line, for a family of three in Mississippi; $116 a month in Texas), food stamp benefits are large. Under this proposal, rents for many southern AFDC families would double or triple over coming years. The family in Mississippi receiving $96 a month in AFDC payments would have its rent raised over the next several years from $24 a month to nearly $96, and would have to use nearly its entire check to pay the rent. This family would have little or no cash left for clothing, transportation, or other necessities.

Impacts on state governments

Finally, the new proposals would have very serious impacts on state governments. The new proposals shift over $700 a million in food stamp costs from the federal government to state governments, a burden which many hard-pressed state treasuries are not in a position to pick up.

The Administration would transfer $600 million in cost to the states in FY 1983 (and more in succeeding years) by billing states for all errors over 3% in FY 1983, over 2% in FY 1984, over 1% in FY 1985, and over zero in succeeding years. Error rates this low are extremely difficult to achieve in programs like food stamps. It is likely that nearly every state would be sanctioned for considerable sums of money.

The 3% level represents an arbitrary figure, without any basis in program experience. The Congress less than two years ago enacted a provision requiring states with high error rates to reduce these rates steadily or be penalized. Last month, USDA issued $16.5 million in penalties against 14 states for failing to achieve sufficient error rate reduction. There is no reason to abandon the current statutory requirements, and to replace them with new requirements that are highly unrealistic and excessively punitive on states, and that would result in fiscal penalties of a crippling magnitude on most states -- including states making determined efforts to combat error and fraud.

This proposal represents not so much a serious attempt to reduce errors as an effort to shift some of the program's costs to the states and thereby reduce federal outlays. As much as $600 million a year would be shifted to the states next year under this proposal.

What makes this proposal even more remarkable is that it is accompanied by another proposal to reduce the federal share of state costs in operating the food stamp program (as well as to reduce federal funds for state administration of AFDC and Medicaid). According to OMB's own estimates, the reduction in administrative funding would equal 12% in FY 1983 rising to 25% by FY 1986 (the year in which states would be billed for all errors above zero). It makes no sense to reduce administrative funding sharply while requiring states to make heroic administrative efforts and eliminate nearly all errors in a complex program. There is little question that intensive error reduction strategies require increased administrative expenditures through expanded use of computerization and through the hiring of adequate, well trained staff to investigate and verify questionable household circumstances.

The new budget proposals also terminate all federal funding for administration and enforcement of the food stamp work requirements by state employment service agencies. A rapid deterioration in the effectiveness of these requirements is likely if funds to administer them are cut off.

Appendix

MARGINAL TAX RATES

I. Current Law: First Four Months

Under current law (after last year's Reconciliation Act changes), the AFDC earnings disregard during the first four months on the job is $30, plus $75 for work expenses, plus child care costs, plus one-third of the remainder.

Consequently, if a working mother earns an additional dollar, her AFDC payment will decline by 67 cents (assuming no increase in child care costs).

Under current law, there is an 18% earned income disregard in the food stamp program, and a 30% benefit reduction rate. Consequently, the food stamp recomputation on the additional dollar earned by an AFDC working mother would be as follows:

Earnings	+ 82.0 cents
AFDC	- 66.7 cents
Change in net income	+ 15.3 cents

$ .153
x .3
$.0459 decrease in stamps

So, she would lose 4.6 cents in food stamp benefits.

Therefore, her marginal tax rate would be about 78% if she paid no federal or state income tax, and around 90% if she were over the federal income tax threshold.

66.7 %	(AFDC loss)
4.6 %	(Food stamp loss)
6.6 %	(Social Security tax increase)
77.9 %	(Combined "marginal tax rate")

II. Current Law: After four months

After four months, the "$30 plus one-third" disregard now ends. The only disregard remaining is the flat $75 plus child care costs.

This means that for each additional dollar earned after four months, AFDC benefits are generally cut a full dollar.

Food stamp benefits, however, go up slightly. For food stamp purposes, the situation would be as follows:

Earnings	+ 82 cents
AFDC	-1.00
Food stamp net income change	- .18 cents

$.18
x .3
$.054 increase in stamps

Therefore, her marginal tax rate would be around 100% if she paid no federal or state income tax, and over 100% if she were over the federal income tax threshold.

100%	AFDC
- 5.4%	Food stamps
+ 6.6%	Social Security
101.2%	Combined marginal tax rate

III. New Administration Proposals: 1st Four Months

The two key changes being proposed (in terms of impact on marginal tax rates) are the increase to 35% in the benefit reduction rate and the elimination of the 18% earned income disregard.

During the first four months, each additional dollar earned would still result in a 67 cent loss in AFDC. However, instead of an additional 4.5 cent loss in food stamps, the loss would now be 11.5 cents.

Earnings	+ 1.000
AFDC	- .667
Change in net income	+ .333 cents

$ .333
x .35
$.1165 cent decrease in food stamps

Her marginal tax rate would be about 85% if she paid no federal income tax, and close to 100% if she did.

66.7 %	
11.7 %	Food stamps
6.6 %	Social Security
85.0 %	Combined marginal tax rate

IV. New Administration Proposals: After Four Months

After the fourth month on the job, the working mother who earns an additional dollar would generally lose a full dollar in AFDC benefits (due to the expiration of the "$30 plus one-third" disregard after four months). Since the 18% food stamp earnings disregard would be eliminated, the full dollar in additional earnings would count as food stamp income. This would be offset by the dollar loss in AFDC. As a result, her food stamp benefits would remain unchanged.

The working mother would have to pay taxes on the additional dollar earned, however.

Therefore, her overall marginal tax rate would be $106.6% if she paid only Social Security taxes, and in the 115%-120% range if she also paid income taxes.

100%	AFDC
6.6%	Social Security
106.6%	Combined marginal tax rate

Conclusion

Under the new food stamp proposals, marginal tax rates for working mothers receiving AFDC and food stamps would be 85%-100% during the first four months on the job, and about 106%-120% after the fourth month on the job.*

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* Note: For some AFDC families receiving the earned income tax credit, marginal tax rates would differ slightly from those shown here during the first four months on the job. For AFDC working mothers who earn less than $5,000 a year, and who also qualify for the EITC, the marginal tax rates would be 2%-3% less than shown here during their first four months on the job. For AFDC working mothers earning over $6,000 a year and qualifying for the EITC, marginal tax rates would be 2%-3% higher than shown here during the first four months on the job. (For AFDC families earning $5,000-$6,000 a year, and for AFDC families of any income after the first four months on the job, receipt of the EITC would not affect the marginal tax rates.)

STATEMENT OF MOST REVEREND JOSEPH M. SULLIVAN, M.S.W., M.P.A., AUXILIARY BISHOP OF BROOKLYN

Mr. Chairman, I am Bishop Joseph Sullivan of Brooklyn, New York. I am pleased to appear before you on behalf of the United States Catholic Conference, which is the national social action arm of the Roman Catholic Bishops, and the National Conference of Catholic Charities which represents the largest network of voluntary providers of social services in this nation. We thank you for the invitation to share with the Committee our concerns about domestic food policy and programs.

I come before you this afternoon not as an expert on nutrition, but as one who is concerned about the moral dimensions of our federal food and nutrition policies. I am here to share the experience of the Catholic Church in its ministry among the poor of America and to offer several principles from our Catholic social tradition that I believe are relevant to the current debate about budget priorities.

In my remarks this afternoon, I would like to address three areas of concern: (1) the impact of last year's cuts on the poor; (2) the moral basis for our belief that the federal government has an essential role to play in ensuring every American the right to eat; and (3) the proposed cuts in the Food Stamp Program for Fiscal Year 1983.

IMPACT OF LAST YEAR'S BUDGET CUTS

Let me begin by briefly commenting on the effects of last year's budget cuts. In discussions with officials of Catholic Charities and the State Catholic Conferences from around the country, we have learned of a dramatic increase in recent months in the demand for emergency services, especially for food and cash assistance. What we have heard from individual bishops, from Catholic Charities agencies, from inner city pastors, from organizers of self-help programs for the poor, from volunteers who are running soup lines, food pantries and emergency shelters -- is essentially the same message: the cuts have hurt the poor severely.

We know from our experience around the country what the impact has been. We know because those affected by the budget cuts are showing up on the doorsteps of Catholic parishes and Catholic Charities agencies around the country. For example, in Chicago Catholic Charities reports a substantial increase in all categories of emergency services. The central coordinating food bank for the city is consistently being depleted and Catholic Charities has had to greatly extend its outreach to secure donated foods. They are seeing growing numbers of men and women who have lost Food Stamp benefits or have been recently unemployed.

In Kansas City, Kansas, Catholic Charities is serving 200 more families with emergency services than last year at this time. Seventy percent of these requests are for food. Of the requests for monetary assistance, the majority are to pay for utilities bills.

In Lakeland, Florida, Catholic Charities will have to cease serving some 2,000 meals to needy children through the summer feeding program due to new regulations. They have also had to turn away 200 to 300 elderly from daily home delivered meals. In an area of high concentration of elderly, they expect increased demand for service despite their inability to meet the current needs.

Here in the Archdiocese of Washington, requests for emergency financial assistance have doubled and tripled at Catholic Charities offices, and the lines at soup kitchens are longer than ever before. For the first time we are seeing in these lines not only the chronically destitute but many new faces as well -- for example, the recently unemployed or the working mother who has lost AFDC benefits. At one parish hundreds of people wait in line each day for a meager sixty cents to help them through one more day. The parishes and volunteers who provide these services say that the demands on their limited resources have been staggering in the past year.

In the Archdiocese of Detroit, Archbishop Szoka notes that nearly every Catholic Social Service agency has reported an increase of at least 100% in requests for material assistance. For example, at an emergency food center run by the Capuchin Fathers in the Archdiocese, demand has doubled since last year. Close to 1,000 people are being served there every day.

ROLE OF GOVERNMENT

As a Catholic bishop, I have listened carefully to the suggestion that the voluntary sector, and the churches in particular, can and should take up the slack caused by the budget cuts. This suggestion, that private charity can increase sufficiently to make key government programs unnecessary, ignores both history and reality. From a practical standpoint, it is simply not within the realm of possibility to suggest that the voluntary sector can replace major and necessary government programs.

Even if one considers only the direct effects of last year's federal cuts, the Urban Institute estimates that the voluntary sector will lose more than $27 billion over a three-year period. Studies also indicate that the tax revisions will further erode charitable giving at a time of increased demand for our services. Certainly, the churches will continue to increase their efforts and resources to aid the poor. But we cannot, by ourselves, fill the massive gap that has already been caused by the cuts in human needs programs. While the charitable activity of religious institutions is increasing and will continue to increase, it cannot and should not substitute for the essential responsibility that government has to play in meeting basic human needs. The return of soup lines and the dramatic increase in the demands for emergency food assistance and financial aid should not be interpreted as signs of success for the New Voluntarism. They are, instead, sad symbols of a retreat by government from its fundamental responsibility.

The essence of the message I would like to leave with you has to do with human rights and the role of government in guaranteeing and protecting those rights. The Catholic Church has a long tradition of social teaching on that subject, and our concern and interest in federal domestic food policies flows from that tradition. The United States Catholic Conference and the bishops from around the world have called the right to eat a fundamental right, one essential to human dignity and to the right to life itself. When we talk about the implications for public policy, then, we are not speaking of feeding people out of our largesse or as a matter of privilege. Rather, it is a matter of social justice and basic human rights.

Pope John XXIII, in his encyclical, Pacem in Terris, listed the right to eat as one of the most important of human rights. It follows directly from the right to life itself. The Catholic tradition views basic human rights as a kind of baseline, a set of material conditions which are essential for human dignity. This concept of rights implies a social obligation, and ultimately, an obligation on the part of government. When, through the normal workings of the economy and the social system, the basic material needs of some citizens are not met, the government has the responsibility to intervene. It has the duty to see that no one goes without adequate food for daily sustenance. The harsh reality of our present economic system is that, without substantial and effective government intervention, people will go hungry. We believe the federal government has the ultimate responsibility to see that this does not happen. The federal Food Stamp Program has been one of the government's most effective tools for protecting the right to eat for all Americans. It has produced dramatic gains in reducing hunger in our nation, gains that must not be abandoned now in the search for a quick and simple solution to our economic ills.

FISCAL YEAR 1983 BUDGET CUTS

Seen in the human rights perspective of the Catholic Church, therefore, the budget cuts in food stamps and other nutrition programs enacted last year, and those proposed for Fiscal Year 1983, are intolerable. We do not believe that these cuts will help to bring about the economic revival we seek. Rather, they will force those who are already poor to suffer even more severely. The proposed cuts are unfair and unwise. In our view, they are difficult to justify morally.

The development of federal food programs such as Food Stamps, WIC, school breakfast and lunch, and child care food services, have marked the commitment of this nation to ensure adequate nutrition for all our people. This is particularly true for children, the elderly and women, who comprise the majority of the poor and who are the most vulnerable in our society. These various programs have literally meant the difference between an adequate diet and retarded physical and mental development for many. In some instances they have even meant the difference between life and death.

In view of the large-scale cuts enacted in the Food Stamp Program last year, I find it particularly unfair for the recipients of this program to be singled out again for some of the most severe cuts in Fiscal Year 1983. It is estimated that 17 million food stamp recipients would lose benefits or have them reduced under the proposed changes. When combined with last year's cuts, the new proposals will mean that some four million people will no longer receive food stamps. The vast majority of these people are truly in need; and in many cases, these are the same families and individuals who are being hurt by cuts in other human needs programs. To burden them with additional cuts in food stamp benefits is simply not acceptable.

FOOD STAMPS

We find objectionable all of the cuts proposed for the Food Stamp Program in Fiscal Year 1983. I realize that other witnesses will comment more thoroughly on the technical aspects of these cuts. Let me briefly call attention, however, to several proposed changes that are especially punitive for the working poor, the elderly, the disabled, and female heads of households:

-- Abolishing the earned income deductions would cut benefits unfairly for the working poor and in some cases would actually create a disincentive to work.

-- Increasing the benefit reduction rate from 30% to 35% would adversely affect almost all food stamp recipients, but it would be especially damaging for the elderly and the working poor.

-- Counting low-income energy assistance as regular income would have a particularly severe impact on the elderly whose meager incomes are already ravaged by energy costs. In colder climates we are likely to see people having to choose between food and fuel.

-- Other nutrition programs such as WIC, school breakfast, summer feeding, and child care programs, are also slated for cuts. These cuts should be rejected.

CONCLUSION

We recognize the enormity of the decisions facing the Congress in developing a fair and realistic budget that serves the common good. We are confident that this can be achieved without placing an additional burden on the poor. It is they who suffer most from our economic crisis, they who suffered most from last year's cuts -- cuts which were supported by some members of both parties. These same needy families and individuals should be exempt from future budget reductions.

Last year Pope John Paul II said: "The present economic difficulties . . . must not become a pretext for giving in to the temptation to make the poor pay for the solutions to the problems of the rich. . . . " I am afraid that the proposed budget cuts and program changes recommended for Fiscal Year 1983 are a sign that we are succumbing to this temptation.

In closing, I would like to emphasize that the debate over federal food assistance programs is not merely a debate over budget figures. Rather, it is about human beings -- their joys and sorrows, their successes and failures, their hopes and dreams. It is about whether American families will have enough food on the table so that our children, our future, will not go hungry. In short, it is a debate about compassion, justice and human dignity.

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STATEMENT OF MICHAEL V. REAGEN, PH.D., COMMISSIONER, IOWA DEPARTMENT OF SOCIAL SERVICES AND CHAIRMAN, FOOD STAMP COMMITTEE, NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS, AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. Chairman and members of the Subcommittee, my name is Michael V. Reagen. I am Commissioner of the Iowa Department of Social Services. I also serve as Chairman of the Food Stamp Committee of the National Council of State Public Welfare Administrators (NCSWPA) of the American Public Welfare Association.

I appreciate the opportunity to address you today on proposals to reform and contain costs in the Food Stamp program. The Council represents the officials who have direct responsibility for human services, including the Food Stamp program, in the 50 states, the territories and the District of Columbia. Our daily responsibilities are inexorably linked to the issues you are considering. We hope our observations, based on experience in administering the program, will prove useful in your deliberations.

PROGRAM RESPONSIVENESS

Costs and participation in the Food Stamp program have risen dramatically over the years, largely in concert with deterioration economic conditions. The fact that the program has been able to respond quickly to demonstrated need for food assistance in these circumstances, is a measure of the program's success. Yet, as the need for Food Stamps has increased so has the need to expend greater efforts to monitor the growing commitment of public funds to the program.

As public administrators, our responsibilities include not only providing services but also promoting and encouraging efficient and effective program management. We are on record in support of congressional actions designed to control program costs and to eliminate waste, abuse and fraud in Food Stamps. In testimony before this committee on April 2, 1981, former Council Chairman, Dr. John T. Dempsey of Michigan states our support for a number of provisions including: a gross income eligibility standard; repeal of the scheduled 1982 increase in the medical and dependent care deductions for working adults; and elimination of the outreach requirement. We endorsed these changes in the interest of balancing the need to contain spending with the necessity of continuing to provide for the nation's hungry.

STRENGTHS AND WEAKNESSES OF COST-CUTTING PROPOSALS

Rising unemployment and a sluggish economy have increased the need for human services, while the administration and Congress attempt to hold down escalating federal costs which hinder economic recovery. We urge the subcommittee to be mindful of the effect on our young, elderly, disabled, and working poor, who lack the means to withstand deep cuts in Food Stamp benefits. New proposals put forth by the administration in its FY 83 Food Stamp budget, we believe, may seriously reduce the program's ability to meet the nutritional needs of low income people. Our specific positions on the more significant of these proposals are as follows:

The Council is opposed to increasing the benefit reduction rate from its current level of 30%. While administratively feasible, we oppose this proposal because it would take benefits away from all program beneficiaries, including those who are neediest. Of the states surveyed by the Council on this program modification, 80% were strongly opposed to this action. Raising the benefit reduction rate to 35% amounts to an across the board benefit reduction. Comments from state administrators expressed concern that the higher rate is not supported by any evidence that 35% of disposable income is spent on food, and that the savings from this change would not justify the adverse impact on recipients. Benefits for households, including the elderly and disabled, would be cut in half or more under the proposal. For example, an elderly couple receiving $5,000 a year in Social Security or SSI stands to lose 57% of its Food Stamp benefits. In real money terms, its benefits would fall from $366 to $144 a year.

The Council opposes counting energy assistance as income in determining eligibility and benefits. Administration of this proposal would be very costly and, moreover, would inflict undue hardship on a large percentage of Food Stamp households. Energy assistance, as the subcommittee is aware, was established in 1978 to help low income families meet rising fuel bills. Energy payments do not represent an additional source of income for food purchases. In fact, over half of the energy assistance grants made go directly to energy vendors, instead of to recipients themselves.

Our survey of states on this proposal is overwhelmingly in opposition, not only because of the unwarranted benefit reduction that would result, but also due to the certain administrative difficulties that would arise. To institute this requirement would likely increase the potential for errors in program administration. The individual caseworker would be faced with yet another factor that must be taken into account in calculating household income. Moreover, energy payments generally vary according to the demands of the winter season, meaning that Food Stamp agencies would have to develop costly mechanisms for monitoring the irregular receipt of energy aid. And for energy vendors, the proposal would mean additional lost man hours to one more government reporting requirement. Counting energy assistance as income would contradict the administration's objective of controlling costs and easing the burden of government in the private sector.

The Council reaffirms its long-standing support for jobs as the proper means of enhancing the self-sufficiency and self-esteme of employable welfare recipients. We believe income maintenance programs should contain strong work incentives and requirements. However, the states are concerned that eliminating the special earned income disregard in Food Stamps would reduce work incentives. The adverse effects of this proposal on the working poor would operate in opposition to legislated actions encouraging work. According to department figures, 17% of the Food Stamp caseload is employed. The working household is eligible because its gross income is within the limit set by Congress.

Congress has already reduced the disregard to 18% from its previous 20% level as part of the FY 82 budget reconciliation. We do not yet know what effect this change will have on the behavior of the working poor. Put simply, we believe congressional actions over the years to help the working poor would be negated if the provisions designed to assist this group are further eroded.

The Council supports giving states the option to require employable Food Stamp applicants to search for jobs during the time their applications are being processed. Many states and localities have successful work projects for public welfare recipients, but we believe mandating all states to require job search at the time of application for benefits would be very costly and wasteful.

The success of job search programs is dependent upon the availability of jobs. In those areas of the country with double digit unemployment rates, mandatory job search would add significantly to the cost of running the program while doing little to improve the employment prospects of low-income people. Furthermore, in many instances, state employment agencies are already understaffed and operating with inadequate funds. The administration's proposal, as it now stands, would add to total administrative costs. Whether or not to enforce job search at the time of application is a decision appropriately left to state discretion.

The Council is adamantly opposed to requiring the states to reduce errors to zero by 1986 under the threat of fiscal sanctions. The quality control system from which error rates are derived was meant to be a management tool. Legislating error rates and penalties, unnecessarily increased the potential for intergovernmental conflict and ignores the existence of uncontrollable factors in Food Stamp delivery.

Significant progress has been made by the states in reducing program error. The error rate in the Food Stamp program has declined from a high of 23.5% in 1974 to 13.3% in 1981. Only under ideal circumstances with an ideal program could food stamps be operated without error. However, the many changes in the Food Stamp program that have been made in recent years and the inconsistences between it and other social programs such as AFDC, administered by the same agency, make the reduction of error a difficult task. The incidence of client-caused error, the existence of error prone policies, and the constant introduction of staff to new procedures and policies stemming from federal decisions, create situations in which some amount of error is unavoidable for even the best administered program.

Congress has already put in place a policy for penalizing states for errors that exceed federal standards and for rewarding states that keep their error rates low. While we are opposed in principle to fiscal penalties, we believe this current policy is far preferable to the inordinately harsh and unrealistic policy the administration proposes.

The Council is opposed to the proposal to combine and and reduce funding for the expenses of administering Food Stamps, Medicaid and AFDC. Combined administrative funding, together with the proposal to lower error rates to zero by 1986, would place the states in an untenable position. The reduction of error requires a financial commitment. Providing service to our clients in accordance with program guidelines also demands the allocation of scarce resources. Placing a ceiling on administrative funds simply reduces the states' ability to administer the program properly.

The states share the commitment of Congress for effective administration of the Food Stamp program. The effort to reduce government waste in program operations began at the state and local levels. Improved and economical program administration, we believe, can only be achieved through the cooperative efforts of state, local, and federal governments.

PROGRAM RECOMMENDATIONS

Considerable costs have been incurred because of food stamp program instability in recent times. By our count, this program has been substantially amended no less than four times since 1977. In the last five years, the Food Stamp program has undergone continual changes. These constant changes have necessitated staff retraining, manual changes, substantial administrative retooling and recipient confusion. Therefore, the desired program reform and accountability have too often been lost to the reshaping and rising administrative costs that by definition come with implementing frequent program changes.

The Council believes the kind of program reform most needed at this time is towards increasing state responsibility for daily operations. State administrators have recommended over the years many program changes to achieve administrative flexibility, simplicity and general improvement. Most recently, the Council has been involved in the Department of Agriculture's efforts to reform Food Stamp regulations. Changes in existing regulations, we believe, can go far toward minimizing program complexity. In addition, we believe certain legislative reforms are also called for in the interest of strengthening the way the program operates and providing benefits to people in need. As the committee examines proposals to control program costs, we respectfully offer the following as examples of reforms you might consider:

Exclude from expedited service households with income in excess of $85.00 a month and limit the designation of destitute to households of migrant and seasonal farmworkers. Expedited service, as it is now designed, adds unnecessarily to the cost of program benefits and administration by allowing households to receive benefits immediately even though they may not be facing a true emergency. The proposed limits would reduce both the strain the overuse of expedited service now puts on program administration and the errors that are committed when workers must respond to many situations that are not actual emergencies.

As already stated, we favor giving states the option to require job search at the time of application.

Allow states to grant automatic Food Stamp eligibility to AFDC recipients. With AFDC eligibility now restricted to families with gross income at or below 150% of a state's standard of need, there are virtually no AFDC families who do not also qualify for Food Stamps. Requiring a separate Food Samp eligibility determination for these families, as is the current policy, is redundant and administratively costly.

Simplify administration of deductions to reduce errors. For example, a larger standard of deduction based on household size could be allowed in place of the current separate child care deduction.

Develop common definitions of resources and income in AFDC and Food Stamps. Differences between the two programs in definitions, add to general administrative complexity and the incidence of error. Aligning the programs definitionally would enhance administrative efficiency

CONCLUDING REMARKS

We support attempts to reduce Food Stamp program costs, waste, abuse and fraud. Over the last year the Council has worked deligently with USDA to assist in the swift and effective implementation of changes made through the Omnibus Reconciliation Act. We stand ready to assist the committee in efforts to understnad the cost and effect on the states and our clients of suggested program changes. We urge the committee to remain sensitive to the needs of the less fortunate among us. Further program reform should seek to stabilize and simplify administration, instead of sharply reducing or terminating the benefits of Food Stamp households.

STATEMENT OF SAMMIE LYNN PUETT,
COMMISSIONER OF HUMAN SERVICES,
STATE OF TENNESSEE

MR. CHAIRMAN, DISTINGUISHED COMMITTEE MEMBERS, THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU. MUCH HAS TRANSPIRED SINCE MY TESTIMONY HERE LAST MARCH. IT IS OBVIOUS THAT THIS COMMITTEE AND MEMBERS OF USDA'S FOOD AND NUTRITION SERVICE HEARD WHAT I AND OTHER STATE REPRESENTATIVES HAD TO SAY ABOUT THE FOOD STAMP PROGRAM AND HAVE MOVED TO BRING ABOUT SOME OF THE CHANGES THAT WERE CALLED FOR. I THANK YOU FOR YOUR LEADERSHIP AND THE PLAIN HARD WORK THAT PRODUCED THESE IMPROVEMENTS.

I AM HERE TODAY TO DO THREE THINGS:

(1) TO URGE YOU TO CONTINUE TO SUPPORT REFORMS IN THE FOOD STAMP PROGRAM;

(2) TO ENCOURAGE YOU TO ALTER THE PROPOSED 3-2-1 ERROR RATE REDUCTION STANDARD; AND,

(3) TO COMMENT ON THE PROPOSED FEDERAL/STATE SWAP OF PROGRAMS.

FIRST, LET ME COMMENT ON THE FOOD STAMP PROGRAM.

THE 1981 OMNIBUS RECONCILIATION ACT AND THE RESULTANT REGULATORY CHANGES WERE AN IMPORTANT FIRST STEP IN REFORMING THE OUT-OF-CONTROL FOOD STAMP PROGRAM. I APPLAUD THOSE WHO HAVE SUPPORTED THE CHANGES THAT HAVE BEEN MADE AND THE CHANGES THAT ARE PROPOSED FOR THE FUTURE. LEST YOU WONDER ABOUT THE EXTENT OF THOSE CHANGES, LET ME TELL YOU THAT IT REQUIRED 122 PAGES OF REVISED COPY IN OUR AFDC/FOOD STAMP/ AND MEDICAID MANUALS TO MAKE THE 1981 REGULATORY CHANGES. AT THE SAME TIME, LET ME ALSO REPORT TO YOU THAT AS I HAVE VISITED TENNESSEE'S 150 HUMAN SERVICES OFFICES ACROSS THE STATE, ELIGIBILITY WORKERS TELL ME THAT THE REFORMS HAVE NOT GONE FAR ENOUGH -- THAT ADDITIONAL CHANGES ARE NECESSARY IF THE PROGRAM IS TO ACHIEVE ITS INTENDED PURPOSE. THESE RECOMMENDATIONS FOR CHANGE COME FROM ELIGIBILITY WORKERS WHO EACH DAY ARE INTERVIEWING CLIENTS WHO APPLY FOR THE BENEFITS PROVIDED THROUGH THE FOOD STAMP, THE AFDC, AND THE MEDICAID PROGRAMS. THEY ARE WORKERS WHO ARE COMMITTED TO MEETING THE NEEDS OF LESS FORTUNATE MEMBERS OF OUR SOCIETY AND WHO WANT TO INSURE THOSE CRITICAL NEEDS ARE MET. AT THE SAME

TIME THEY ARE STRONG IN THEIR BELIEF THAT CURRENT REGULATIONS PERMIT MANY TO QUALIFY ON BASES OTHER THAN GENUINE NEED. IT IS THEIR WISH AND MINE THAT ELIGIBILITY CRITERIA AND REGULATIONS BE FURTHER TIGHTENED AND THAT THE RESULTANT SAVINGS BE CHANNELED INTO IMPROVED BENEFITS FOR THOSE WHO REMAIN ON THE ROLLS.

AS MEMBERS OF THIS SENATE COMMITTEE, YOU MAY BE AWARE OF THE RECENT WORK OF A SPECIAL TASK FORCE COMPOSED OF FEDERAL, STATE AND LOCAL OFFICIALS. THE TASK FORCE WAS LED BY A STAFF MEMBER OF THE FOOD AND NUTRITION SERVICE. THE RESULTS OF THE TASK FORCE'S WORK ARE CONTAINED IN THIS DOCUMENT (HOLD UP) WHICH IS ONE OF THE MOST SIGNIFICANT PIECES OF WORK THAT I HAVE REVIEWED IN MY THREE YEARS AS AN ADMINISTRATOR IN STATE GOVERNMENT. CONTAINED IN THE REPORT ARE 112 RECOMMENDATIONS FOR REGULATORY REFORM AND 22 RECOMMENDATIONS FOR LEGISLATIVE CHANGES. THESE RECOMMENDATIONS WERE MADE BY 58 STATE AND LOCAL REPRESENTATIVES AND 44 FNS EMPLOYEES DURING FOUR WEEK-LONG MEETINGS HELD IN ATLANTA, SAN FRANCISCO, CHICAGO, AND MT. LAUREL, NEW JERSEY, DURING LAST NOVEMBER AND DECEMBER. THIS JOINT EFFORT BETWEEN STATE AND LOCAL AND FEDERAL OFFICIALS MARKS THE FIRST TIME TO MY KNOWLEDGE THAT SUCH A COMPREHENSIVE EXAMINATION OF THE FOOD STAMP PROGRAM HAS BEEN MADE. THE STUDY BROUGHT ALL LEVELS OF GOVERNMENT INTO FULL PARTNERSHIP IN TRYING TO BRING ABOUT NEEDED REFORMS.

IF YOU HAVE NOT STUDIED THESE RECOMMENDATIONS, I URGE YOU TO REVIEW THEM AND TO SUPPORT THEM. THE CHANGES WILL DO MUCH TO STREAMLINE THE PROGRAM AND INSURE THAT IT SERVES ONLY THOSE PEOPLE WHO THE CONGRESS ORIGINALLY INTENDED TO SERVE.

WHILE THE TASK FORCE'S REPORT IS COMPREHENSIVE, IT DOES NOT SPEAK TO THREE OTHER ITEMS THAT I WOULD LIKE TO MENTION BRIEFLY AND TO WHICH I SUGGEST YOU GIVE LEGISLATIVE ATTENTION. THE FIRST CONCERNS THE REPLACEMENT OF FOOD STAMPS AND ATP CARDS. I RECALL IN MY TESTIMONY HERE A YEAR AGO THAT YOU DISPLAYED CONSIDERABLE INTEREST IN THIS FRAUD-PRONE REGULATION. AT THAT TIME THERE WAS NO LIMIT ON THE NUMBER OF REPLACEMENTS THAT COULD BE MADE. IT WAS MY OPINION THEN -- AND IT IS MY EVEN STRONGER OPINION NOW -- THAT COUPONS OR ATP CARDS SHOULD NOT BE REPLACED AT ALL. HOWEVER, CURRENT

REGULATIONS PERMIT TWO REPLACEMENTS DURING ANY SIX-MONTH PERIOD, AND ABUSE HAS REACHED EPIDEMIC PROPORTIONS. THE REGULATIONS THAT ESTABLISH A LIMIT ON REPLACEMENTS DO NOT ADEQUATELY ADDRESS THE ISSUE OR SOLVE THE PROBELM OF DUPLICATE PARTICIPATION. I URGE THE COMMITTEE TO PROHIBIT COUPON/ATP REPLACEMENT AND SERVE THOSE WHOSE STAMPS ARE LEGITIMATELY DESTROYED THROUGH THE EMERGENCY FOOD PROGRAMS THAT ARE IN OPERATION IN EVERY STATE. IT IS MY STRONG BELIEF THAT ONCE REPLACEMENT IS MADE IN THE FORM OF FOOD OR COMMODITIES, THE NUMBER OF REPLACEMENT REQUESTS WILL DWINDLE.

CLOSELY RELATED TO THIS CONCERN IS THE MATTER OF THE NEGOTIABILITY OF FOOD COUPONS. USDA IS STUDYING THE POSSIBILITY OF A CARD TRANSFER METHOD OF DISTRIBUTION. I HOPE YOU WILL ENCOURAGE USDA TO GIVE THIS NEW TECHNOLOGY TOP PRIORITY BECAUSE SO LONG AS FOOD COUPONS ARE ISSUED AS NEGOTIABLE INSTRUMENTS, WE WILL NEVER BE ABLE TO ELIMINATE FRAUD NO MATTER HOW MANY INVESTIGATORS WE HIRE.

THE THIRD ITEM IS A NEEDED CORRECTION FOR A NEW REGULATION THAT DISQUALIFIES RECIPIENTS FOR FRAUD. IN SOME INSTANCES THE RESULT OF THE DISQUALIFICATION IS AN INCREASE IN THE HOUSEHOLD ALLOTMENT (SEE ATTACHMENT A). THIS CERTAINLY WAS NOT INTENDED, AND SHOULD BE CORRECTED. CONSIDERATION ALSO SHOULD BE GIVEN TO EARLIER PERMANENT DISQUALIFICATION. AT THE PRESENT TIME A PERSON IS PERMANENTLY DISQUALIFIED ONLY AFTER THE THIRD FRAUD CONVICTION.

FINALLY, I FEEL COMPELLED TO COMMENT ON THE PRESIDENT'S RECOMMENDATION TO COMBINE THE ADMINISTRATIVE COSTS FOR AFDC/FOOD STAMPS/ AND MEDICAID INTO A BLOCK GRANT CAPPED AT 95% OF THE CURRENT ADMINISTRATIVE FUNDING LEVEL. WHILE WE HAVE NO OBJECTION TO THE COMBINING OF THESE FUNDS, THIS IS NOT THE YEAR TO CAP COSTS. ADMINISTRATIVE COSTS ARE INCREASING BECAUSE OF THE MASSIVE CHANGES THAT ARE BEING MADE. IF A CAP IS APPLIED, STATES WILL BE FORCED TO SPEND ADDITIONAL ADMINISTRATIVE MONIES -- WHICH FEW STATES HAVE -- TO COMPLY WITH ALL THE MANDATES. FOR EXAMPLE, THE REQUIREMENT OF MONTHLY REPORTING, WHICH MEANS THAT AT LEAST ONE ACTION WILL HAVE TO BE TAKEN ON EVERY FOOD STAMP CASE EVERY MONTH. THE AMOUNT OF ADDITIONAL WORK THAT THIS PLACES UPON WORKERS IS SIGNIFICANT. MONTHLY REPORTING UNDOUBTEDLY WILL SAVE COUPON DOLLARS, BUT IT WILL

ALSO INCREASE ADMINISTRATIVE COSTS. FOR THIS NOT TO BE RECOGNIZED IS AN OVERSIGHT THAT I HOPE WAS NOT INTENDED.

IN ADDITION, MORE EXTENSIVE ELIGIBILITY VERIFICATION -- A VERY DESIRABLE CHANGE -- NONETHELESS WILL COST MORE DOLLARS. FOR ELIGIBILITY WORKERS TO VERIFY IN MORE DETAIL MEANS THAT THEY WILL HAVE TO SPEND MORE TIME ON A SINGLE CASE AND WILL NOT BE ABLE TO HANDLE AS MANY CASES. THAT WILL COST MORE DOLLARS. AGAIN, WE BELIEVE THIS IS WHAT WE MUST DO TO INSURE THAT THOSE WHO RECEIVE FOOD STAMP COUPONS ARE THOSE WHO ARE ELIGIBLE FOR THEM; BUT WE DO URGE THE FEDERAL GOVERNMENT TO RECOGNIZE THAT THIS COSTS ADMINISTRATIVE DOLLARS. WE WOULD URGE THE CONGRESS TO ALTER THE PRESIDENT'S RECOMMENDATION ON CAPPING ADMINISTRATIVE DOLLARS AT 95% OF CURRENT EXPENDITURE LEVELS.

NOW LET ME COMMENT ON THE PROPOSED ERROR RATE REDUCTION PLAN THAT WOULD BEGIN IN 1983 WITH A 3% LIMIT ON ALL AFDC, FOOD STAMP, AND MEDICAID CASES, AND DECREASE BY 1% EACH YEAR TO A 0% TOLERANCE LEVEL IN 1986. FIRST LET ME SAY THAT NO ONE DISAGREES WITH THE OBJECTIVE OF REDUCING CURRENT LEVELS OF ERRORS. WE CAN DO BETTER ONCE THE PROPOSED STREAMLINING CHANGES ARE IN PLACE. HOWEVER, THE SUGGESTION THAT STATES, OR THE FEDERAL GOVERNMENT FOR THAT MATTER, COULD OPERATE ANY PROGRAM ERROR-FREE IS NAIVE AND UNREALISTIC.

IT ALSO DOES NOT RECOGNIZE THAT IN ONE OF THE THREE ERROR-PRONE PROGRAMS (THE FOOD STAMP PROGRAM) ALL REGULATIONS AND ADMINISTRATIVE PROCEDURES ARE CONTROLLED AND DIRECTED BY THE FEDERAL GOVERNMENT. EVERY ACTION A STATE TAKES IS APPROVED BY THE FEDERAL GOVERNMENT BEFORE IT IS TAKEN. HENCE, THE FEDERAL GOVERNMENT CANNOT ABSOLVE ITSELF OF RESPONSIBILITY FOR THE THINGS THAT ARE WRONG IN THE FOOD STAMP PROGRAM. IF THE RECOMMENDATIONS INCLUDED IN THE TASK FORCE REPORT ARE IMPLEMENTED, THE STATES WILL HAVE MORE OPTIONS AND SHOULD ASSUME JOINT RESPONSIBILITY FOR THE WAY THE PROGRAM IS ADMINISTERED. AT THE PRESENT TIME, HOWEVER, STATES OR LOCAL GOVERNMENTAL UNITS SERVE AS FISCAL AGENTS FOR THE FEDERAL GOVERNMENT -- NOTHING MORE. THE FOOD STAMP PROGRAM IS AN EXCELLENT EXAMPLE OF WHAT HAPPENS WHEN THE PUBLIC DOES NOT KNOW WHO TO HOLD ACCOUNTABLE FOR THE THINGS THAT ARE WRONG, OR RIGHT, ABOUT A GOVERNMENT PROGRAM.

FURTHER, AND MOST IMPORTANTLY, THIS 3-2-1 ERROR RATE PROPOSAL DOES NOT RECOGNIZE THAT MORE THAN HALF OF THE FOOD STAMP ERRORS AND TWO-THIRDS OF THE AFDC ERRORS ARE CLIENT ERRORS, NOT AGENCY ERRORS. UNFORTUNATELY THE MEDIA AND OTHERS WHO DISCUSS ERROR RATES DO NOT MAKE THIS CLEAR. THE 1983 BUDGET DOCUMENT ABSOLUTELY ERRONEOUSLY STATES THAT BENEFIT OVERPAYMENTS RESULT BECAUSE "STATES HAVE EITHER NOT COMPLIED WITH FEDERAL PROGRAM RULES, HAVE INCORRECTLY COMPUTED BENEFITS OR HAVE FAILED TO ADEQUATELY VERIFY STATEMENTS OF INCOME AND FAMILY COMPOSITIONS MADE BY RECIPIENTS." SOME ERRORS OCCUR FOR THESE REASONS, BUT THE MAJORITY OCCUR FOR OTHER REASONS. STATES HAVE LITTLE CONTROL OVER CLIENT ERRORS. SO LONG AS WE HAVE APPLICANTS WHO PROVIDE INACCURATE INFORMATION OR WHO WITHHOLD NECESSARY INFORMATION THAT WOULD AFFECT THEIR FOOD STAMP ALLOTMENTS, ERRORS WILL OCCUR NO MATTER WHAT TOLERANCE RATE THE FEDERAL OR THE STATE GOVERNMENT SETS. TO IMPOSE ON THE STATES TOTAL LIABILITY FOR THESE ERRORS IS UNFAIR AND INEQUITABLE.

I HAVE NO PROBLEM WITH STATES BEING HELD LIABLE FOR AGENCY ERRORS, ALTHOUGH I DO URGE THAT A REASONABLE TOLERANCE LEVEL BE ESTABLISHED THROUGH A PROPER STATISTICAL MEASURE. A ZERO LEVEL IS NOT TOLERABLE. NO MANUFACTURING PROCESS, INDUSTRY, OR ASSEMBLY LINE HAS A QUALITY CONTROL STANDARD OF 100%. EVEN COMPUTERS MAKE MISTAKES SINCE THEY RELY ON HUMAN INPUT. CERTAINLY THE PROGRAMS THAT WE ADMINISTER -- PROGRAMS WHOSE REGULATIONS CHANGE FREQUENTLY AND WHOSE CLIENTS' CIRCUMSTANCES CHANGE FREQUENTLY -- CANNOT BE EXPECTED TO OPERATE FLAWLESSLY. I URGE A TOTAL REASSESSMENT OF THE FEDERAL GOVERNMENT'S QUALITY CONTROL PROGRAM BEFORE A TOLERANCE LEVEL IS DECIDED UPON.

FURTHER, A COURT TEST OF THE REASONABLENESS OF THE 3-2-1 TOLERANCE STANDARD IS LIKELY IF IT IS IMPOSED. TO HAVE TO GO TO COURT WOULD FURTHER EXACERBATE THE ADVERSARIAL RELATIONSHIP THAT SUCH REGULATIONS CREATE IN FEDERAL/STATE RELATIONS. AT A TIME WHEN COOPERATION AND COMMON EFFORT SHOULD DOMINATE, THE IMPOSITION OF FISCAL SANCTIONS OR INTOLERABLE ERROR RATE STANDARDS WOULD SIPHON OFF TIME, ENERGY, AND DOLLARS THAT COULD BE COMMITTED TO RESOLVING OUR PROBELMS RATHER THAN DEFENDING OUR POINT OF VIEW. I ENCOURAGE

THE COMMITTEE TO CONSIDER THIS AS IT REVIEWS THE PRESIDENT'S PROPOSALS.

FINALLY, LET ME COMMENT BRIEFLY ON THE PROPOSED SWAP OF PROGRAMS THAT HAS BEEN LABELED "NEW FEDERALISM." AS MOST OF YOU ARE AWARE, TENNESSEE GOVERNOR LAMAR ALEXANDER RECOMMENDED LAST AUGUST AT THE NATIONAL GOVERNOR'S CONFERENCE THAT THE FEDERAL GOVERNMENT TAKE OVER THE MEDICAID PROGRAM. HOWEVER, HE PROPOSED THAT THE STATES TAKE OVER EDUCATION AND TRANSPORTATION PROGRAMS IN RETURN BECAUSE EDUCATION AND TRANSPORTATION ARE MORE DISTINCLY STATE AND LOCAL IN CHARACTER. ALTHOUGH HE DID NOT PROPOSE TO SWAP MEDICAID FOR AFDC AND FOOD STAMPS, AND ALTHOUGH WE HOPE THAT A DIFFERENT SWAP WILL EVENTUALLY EVOLVE, WE WILL KEEP AN OPEN MIND ABOUT SUCH AN EXCHANGE BECAUSE WE BELIEVE THAT THE WORST DECISION THAT COULD BE MADE WOULD BE TO LEAVE THOSE TWO PROGRAMS (AFDC AND FOOD STAMPS) JOINTLY ADMINISTERED AS THEY ARE NOW.

WE URGE THE CONGRESS TO DEBATE WHETHER THE FEDERAL GOVERNMENT OR STATE GOVERNMENTS SHOULD OPERATE THESE TWO PROGRAMS, BUT NOT DEBATE THE CONTINUED OPERATION OF THEM BY BOTH LEVELS OF GOVERNMENT. NOTHING IS GAINED BY HAVING TWO LEVELS OF ADMINISTRATION EXCEPT ADDED BUREAUCRACY, ADDED ADMINISTRATIVE COSTS, LACK OF ACCOUNTABILITY, AND LACK OF CONTROL OF COSTS. THERE IS NO WAY THE FEDERAL GOVERNMENT CAN CONTROL THE COST OF THESE PROGRAMS WHEN IT LEAVES CERTAIN DECISIONS TO THE STATES. LIKEWISE THERE IS NO WAY THE STATES CAN CONTROL THE ADMINISTRATIVE COSTS OR THE BENEFIT COSTS OF THESE PROGRAMS WHEN CERTAIN ASPECTS OF EACH ARE MANDATED BY THE FEDERAL GOVERNMENT. BOTH LEVELS OF GOVERNMENT LOSE CONTROL WHEN THEY LOSE CONTROL OF POLICYMAKING AND ADMINISTRATIVE DECISION-MAKING. THERE ARE BOTH ADVANTAGES AND DISADVANTAGES TO OPERATING THE PROGRAMS AT EITHER LEVEL. I DO STRONGLY BELIEVE, HOWEVER, THAT WE NEED TO SORT OUT AND DETERMINE WHICH LEVEL OF GOVERNMENT CAN BEST ADMINISTER THE PROGRAMS AND THEN SEE THAT THAT LEVEL OF GOVERNMENT HAS THE RESOURCES TO STREAMLINE THE PROGRAM AND RETURN DOLLAR SAVINGS TO IMPROVING BENEFIT LEVELS OF THOSE SAME PROGRAMS OR OTHER NEEDED SOCIAL SERVICE PROGRAMS.

THIS YEAR FOR THE FIRST TIME -- AS A RESULT OF THE PROPOSED SWAP --

WE HAVE THE OPPORTUNITY TO MAKE A COMPREHENSIVE ASSESSMENT OF THE VAST ARRAY OF PROGRAMS CREATED TO MEET A WIDE RANGE OF HUMAN NEEDS. EACH WAS CREATED IN A DIFFERENT DAY AND USUALLY WITHOUT REGARD TO ITS RELATIONSHIP TO OTHER PROGRAMS. THIS IS OUR CHANCE TO COORDINATE PROGRAMS THAT HAVE STRONG RELATIONSHIPS TO EACH OTHER AND TO DETERMINE WHETHER MORE EFFICIENT PROGRAMS CAN BE DEVELOPED THROUGH A STREAMLINING EFFORT AT ALL LEVELS OF GOVERNMENT. I HOPE WE WILL ACCEPT THIS CHALLENGE AND THEREBY SERVE THE NEEDY OF THIS COUNTRY MORE EFFECTIVELY.

FRAUD DISQUALIFICATION
INCREASES
FAMILIES FOOD STAMP ALLOTMENT

	BUDGET #1 (Husband & Wife)	BUDGET #2* (Husband & Wife)
EARNED INCOME	$576.00	$288.00
EARNED INCOME DEDUCTION	- 115.00	- 58.00
	$461.00	$230.00
STANDARD DEDUCTION	- 85.00	- 85.00
	$376.00	$145.00
	x 30%	x 30%
COUNTABLE INCOME	$113.00	$ 44.00
THRIFTY FOOD PLAN	128.00	70.00
COUNTABLE INCOME	- 113.00	- 44.00
	$ 15.00 (In Food Stamps)	$26.00 (In Food Stamps)

*Husband disqualified for fraud.

STATE OF TENNESSEE
DEPARTMENT OF HUMAN SERVICES
111-19 7TH AVENUE NORTH
NASHVILLE 37203

May 14, 1982

Honorable Jesse Helms
United States Senator
4123 Dirksen Building
Washington, D.C. 20510

Dear Senator Helms:

In response to your questions as a follow-up to my February 22 testimony before the Nutrition Subcommittee, I am submitting the following information:

1. During the hearings, you seemed to express general support for the work of the Food Stamp Interregulatory Review Task Force. I have introduced legislation which addresses a number of the legislative recommendations made by the Task Force. I would like to get your reaction to the following:

   *Defining households as any individual or groups of individuals who live together and purchase food and prepare meals for home consumption. Elderly and disabled parents would continue to be permitted to apply as separate households. States would be granted the option of establishing criteria for individuals who live together to demonstrate that they do not purchase food or prepare meals together.

   *Requiring a second parent in a household to register for work when the youngest child reaches age 6. (Currently the second parent is not required to register until the child reaches age 18, although a first parent in the home must register for work when the youngest child reaches age 6.)

   *Providing that all income and assets of ineligible aliens are counted in the household's eligibility and benefit determination rather than only a prorata share, as at present.

2. A number of State and local officials have indicated a desire for greater flexibility in the food stamp program and a reduction in regulation. What would be your reaction to the following:

   *Permitting, rather than requiring, joint application processing for those food stamp applicants also seeking AFDC, SSI or public assistance.

   *Eliminating the "points and hours" regulations regarding locations and operating hours of certification and issuance offices?

*Making bilingual personnel and material optional at the discretion of the State?

*Eliminating the Agriculture Department's requirement that States submit all printed material for approval before use by the State?

RESPONSE TO QUESTIONS 1 and 2

You are correct that I expressed general support for the work of the Food Stamp Interregulatory Review Task Force. The task force made substantial progress toward Food Stamp regulatory reform and made many positive recommendations for needed change. The spirit and momentum of the project should not be lost.

The proposals you make in question one and two are responsive to some of the best work done by the task force, and I enthusiastically support them. I especially applaud your efforts to provide the states with more options in operating the program. For example, Tennessee would most likely continue to utilize a joint AFDC/Food Stamp application, but those states not choosing to do so should have that option, as your proposal permits.

3. As you know, last year Congress enacted legislation in the Aid to Families with Dependent Children program which specified that income from lump-sum-payments such as tax refunds, retroactive Social Security or insurance payments would be counted as income in the month received. Any amount of the income that exceeds the monthly needs standard would be divided by the monthly needs standard, and the household would be ineligible for aid for the number of months resulting from that calculation. Any remaining amount would be counted as income in the first month following the period of ineligibility. You had submitted a similar recommendation last year with regard to food stamps. What would be your reaction to using the same formula for lump-sum-payments for the food stamp program, using 100 percent of poverty as the comparable "standard of need" for calculating the period of ineligibility?

RESPONSE TO QUESTION 3

Your proposal to pattern the Food Stamp policy on lump-sum payments after the AFDC policy has my full support. As you mentioned, I made this recommendation during last year's testimony and believe it is a sensible approach to the problem.

I also agree that the poverty level is a good device for allocating the lump-sum amount for future months.

I would point out to you that HHS policy staff have, in my judgment, expanded on the AFDC statutory language by permitting clients to expend lump-sum payments for needs arising from "life-threatening" circumstances. I do not know what your committee's position on this issue may be; however, if such an exemption is permitted, some guidance on the nature of the term "life-threatening" should be specifically addressed in the statute. Otherwise, a loophole may be developed as a result of differing interpretations of the term.

4. As you know, at the present time a household is exempted from registering for work if they are employed 30 hours or earn 30 times the minimum wage. What would you think of increasing this standard for exemption to 150 hours per month (essentially 35 hours per week) and eliminating the compensation test altogether?

RESPONSE TO QUESTION 4

Your suggestion that the compensation test for employed members of the household be eliminated is a sound administrative move. I doubt the change you suggest could be abused at either the 30 or 35 lower level, and would be amendable to either standard.

5. What would be your reaction to increasing the ineligibility period for those who voluntary quit their jobs from the current two months to six months?

RESPONSE TO QUESTION 5

I strongly support a change in the voluntary quit penalty from two months to six. I am convinced that there should be a very strong deterrent to anyone voluntarily quitting his/her job and then expecting aid from the taxpayer. I would also recommend that the penalty apply to both applicants and recipients.

6. You have provided a very innovative suggestion with regard to reducing benefits to able-bodied recipients after their unemployment compensation has expired. Do you have any statistics or sense of what the situation is within Tennessee regarding the number of able-bodied recipients who receive food stamps for extended periods of time without obtaining employment?

RESPONSE TO QUESTION 6

The Department of Employment Security (ES) has advised us that in FY '81, 117,896 individuals were on the ES work registration rolls (approximately 26,000 carried over from FY '80 and the rest new and recurring referrals). During FY '81, ES made 15,313 job referrals and 8,062 persons were finally placed in employment.

Figures are not available on the length of time able-bodied recipients received Food Stamps, but I think the above figures give us a glimpse at the enormity of the problem.

Thank you for once again permitting me to share my views on program reform with members of the Committee. Your practice of involving state agencies in the Committee's examination of the program is encouraging to me as a state administrator and to our staff, who are interested in strengthening the program's integrity.

STATE OF TENNESSEE
DEPARTMENT OF HUMAN SERVICES
111-19 Seventh Avenue North, Nashville, Tennessee 37203 (615) 741-3241

SAMMIE LYNN PUETT
COMMISSIONER

March 31, 1982

Honorable Jesse Helms
Chairman, Committee on Agriculture,
  Nutrition, and Forestry
4123 Dirksen Building
Washington, D.C. 20510

Dear Senator Helms:

Following my testimony before the Senate Agriculture Committee this month, a number of questions arose concerning the status of the various work provisions in the Food

Stamp Act (e.g., work registration, job search and workfare). My reaction then was that these programs are not only administratively cumbersome but often fall short of their intended goal - providing recipients with incentive to work. I suggested that in place of work programs, in which the state provides the impetus for action instead of the individual, we establish the Food Stamp program as a durational or time-limited benefit program for employable members of the household.

I believe the Committee members demonstrated a genuine interest in this concept, as I was contacted for more details by Mr. Tom Boney of the Committee's staff. Attached is a proposed amendment to the Act, prepared by my legal staff, which places limitations on allotments for able-bodied recipients.

In short, unless otherwise exempt, any household containing an able-bodied person between the ages of 18 and 60 which is eligible for Food Stamps may receive a full allotment for any six months during a calendar year. After such time, the household would be entitled to an allotment equal to an amount that it would have received if the person were receiving weekly earnings at the minimum hourly wage.

The proposal has the following positive benefits:

(1) Eliminates forced work programs and administrative policing of same by the states

(2) Creates an incentive for recipients to seek work on their own (or through their local employment office) and to be judicious in their use of the Food Stamp benefits

(3) Reduces program administrative and benefit cost (while there will be increased administrative cost resulting from monitoring the "utilization" months this will be more than offset by eliminating the costs of the forced work programs)

I am confident that the enactment of this amendment will do more to improve the program's image, integrity and vitality than any other single initiative the Committee could make.

Thank you for your interest in this proposal and for the opportunity you afford state agencies for comment on this important program.

Sincerely,

Sammie Lynn Puett

PROPOSAL FOR DURATIONAL FOOD STAMP ALLOTMENTS

Section 8(a) of the Food Stamp Act of 1977 is amended by adding a new paragraph to read as follows:

Provided further that any household that includes one or more physically and mentally fit persons between the ages of eighteen and sixty shall be entitled to the allotment specified herein for no more than six months during any calendar year unless all such persons are (A) a parent or other member of a household with responsibility for the care of a dependent child under age twelve or of an incapacitated person; (B) a parent or other caretaker of a child in a household where there is another able-bodied parent who is not otherwise exempt pursuant to this paragraph; (C) a bona fide student enrolled at least half time in any recognized school, training program, or institution of higher education (except that any such person enrolled in an institution of higher education shall be ineligible to participate in the food stamp program unless he or she meets the requirements of subsection (e) of Section six); (D) a regular participant in a drug addiction or alcoholic treatment and rehabilitation program; (E) employed a minimum of thirty hours per week or receiving weekly earnings which equal the minimum hourly rate under the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 206(a)(1)), multiplied by thirty hours. In the event the household alleges that a person between the ages of eighteen and sixty is not mentally and physically fit or is entitled to an exemption pursuant to paragraphs A-E, and/or that such individual is no longer a member of the household then the burden of proof to establish such facts shall be on the household.

After a household containing one or more physically and mentally fit persons between the ages of eighteen and sixty not otherwise exempt by the above paragraph has received an allotment of food stamps during six months in a calendar year, the maximum allotment to which such household shall be entitled, if otherwise eligible, shall be equal to the allotment to which the household would be entitled if each such mentally and physically able person had countable income in an amount equal to that he/she would have if he/she were receiving weekly earnings which equal the minimum hourly rate under the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 206(a)(1)), multiplied by thirty hours.

Section 6(d) of the Food Stamp Act of 1977 is amended by deleting paragraphs 1-3 in their entirety and renumbering the remaining paragraph accordingly.

TESTIMONY OF DOUGLAS M. PATERSON, PRESIDENT, NATIONAL ASSOCIATION OF WIC DIRECTORS

Studies of the effects of nutrition on pregnancy outcome and childhood growth and development have proven the positive affects that proper nutritional intake has upon the health of infants and children.[1,2,3,4] Congress recognized this in WIC's enabling legislation which states "Congress finds that substantial numbers of pregnant, postpartum, and breastfeeding women, infants, and children from families with inadequate income are at special risk with respect to their physical and mental health by reason of inadequate nutrition or health or both."

This point cannot be emphasized enough. "Healthy children represent a major economic asset. As today's children grow into adulthood, they will have to perform increasingly complex tasks, in an age of constant technological change in order to protect our natural environment, maintain our standards of living, keep our economy competitive with other nations, preserve our defense capabilities, and maintain our humanitarian values. Each and every one of them - male, female, rich and poor, black, brown, and white - is both a precious individual and a valuable national resource. Improving the health of today's children not only enhances the quality of their lives immediately but also expands their potential for significant contributions to the Nation as a whole."[5] This country has an obligation to support these programs which have proven effective in protecting and enhancing our investment in such a valuable resource.

The incorporation of the Supplemental Food Program for Women, Infants and Children (WIC) into the Maternal and Child Health grant would reduce the level of investment this nation would make in our children. More importantly, this reduction would come at the expense of a program which has proven to be effective. At minimum, we must maintain the level of accomplishment attained thus far.

Two major issues need to be addressed in considering the impacts of the inclusion of WIC into the MCH block grant. These issues are: 1) funding, and 2) interprogram coordination and the delegation of authority to states for determining priorities.

With regard to funding, experience of the current year reflects the effects of "blocking". Severe budget cuts to programs in Maternal and Child Health, Family Planning, services to Migrants, and related health programs have not been made up by most state legislatures. States are experiencing difficulty in meeting the needs of the unemployed, those in prisons and hospitals, mothers with dependent children and senior citizens. Schools and universities, always heavily dependent upon state and local revenues, are declining in scope and quality. The "block" process has shifted additional responsibilities to the states while reducing the resources available to support these responsibilities.

Currently, the MCH block grant requires a 4-3 match of funds by state governments. If such a requirement continues, and WIC were incorporated into the MCH block grant, most states would be unable to meet such a revenue requirement and the WIC programs in those states would be terminated.

If the match requirement for funds earmarked for WIC was dropped, the overall effect of blocking would still result in at least a 30-40%

cut in WIC services. The likely affect would be even greater as many WIC clinics would not be able to continue to operate at such markedly reduced levels. Hundreds of WIC clinics would be closed especially in rural areas which often are most in need of health services in general.

The second major issue to be considered when analyzing the affect of incorporating WIC into the MCH block grant is the issue of coordination and delegation of spending authority.

The National Association of WIC Directors cannot ignore the fact that delegation of authority for WIC and other MCH programs to the states does have some merit. This merit reflects itself in the ability of states to regulate, appropriate funds and administer programs which are coordinated and reflect the priorities of each individual state. However, the advantages of such delegation must be considered in light of two very important factors.

First, funding available for programs will be greatly reduced. Under such circumstances programs are often forced into an arena of competition for limited resources rather than cooperation. The past year's experience again suggests that "blocking" has not led to significant savings in expenditures. Though some efficiencies will be realized, it in no way offsets the overall effect of reduction in services.

Neither WIC nor MCH programs should be reduced at the expense of the other. WIC was established, has developed, and currently exists for the purpose of supplementing existing MCH health services. Its purpose is to be an "adjunct" to these health care services. Funding for MCH programs rather than being supplemented or even maintained have, in fact, been reduced. What is needed if we are committed to the health of mothers and children; is financial support for both MCH programs and WIC sufficient to allow both programs to operate cooperatively.

Secondly, it is imperative that policy direction to achieve goals for improved health for mothers and children come from the federal government and be consistent nationwide. The United States is one of the few nations of the developed world without a national policy for maternal and child health. In recognizing this and in recognizing that this nation falls short of doing what most Americans want to see done to promote the health of America's children, Congress in 1979 created a Select Panel for the Promotion of Child Health to assess the status of Maternal and Child Health in America and to develop, for the first time, "a comprehensive plan to promote the health of children and pregnant women in the United States". This panel in its final report recommended that, "Existing public food programs also must be strengthened and expanded. Over the long run, the Supplemental Food Program for Women, Infants and Children should be enlarged to serve all who are eligible by income and nutritional risk; health care systems which provide the base for the WIC program should be expanded accordingly."

States, given individual flexibility for determining the strategy for improving maternal and child health, will not achieve common goals for all citizens of the U.S. In the Comptroller General's Report to the Congress entitled, "Better Management and More Resources Needed to Strengthen Federal Efforts to Improve Pregnancy Outcome", the outstanding recommendations called for: 1) the development of national goals for pregnancy outcome, and 2) the coordination of efforts among programs toward the accomplishments of these goals. The report states ... "a comprehensive national strategy for using and coordinating funds and staff involved in these numerous and fragmented programs is lacking". This situation will only worsen if States are to separately and individually determine child health priorities.

The majority of current program coordination problems result from detailed federal regulations. For example, the eligibility requirements for health programs such as WIC, Family Planning, Medicaid Screening, and Maternal and Infant Care are not uniform. The fact that an individual may qualify for one or two such programs while they do not qualify for others, when each of these services enhances the other, is a problem of regulation. What is needed is an effort to coordinate and standardize those regulations which inhibit coordination. This does not require sacrificing the need for national policy and direction. Efforts to make regulations more flexible are possible at the federal level and can be evidenced by the WIC regulation task force which organized and met in August 1981, and proposed several areas where regulations could be amended or deleted to allow for better program coordination. Efforts to bring together program directors from several related programs such as those mentioned above, to coordinate direction and regulation would address many of the criticisms often raised regarding program integration. Flexibility within a national policy would allow States to serve as laboratories of experimentation for better coordination of programs and better integration of the health care delivery system. Interprogram coordination is a problem addressable and correctible at the federal level.

One of WIC's major strengths has been its successful merger of food distribution to health care and nutrition education. Many state WIC directors have expressed concern that the reduction of funds to their states and the lack of direction from the federal government on the expenditures of funds, will severely threaten this vital link between food and health.

The concern has also been raised by Indian and Migrant population WIC directors, that their states would no longer support services to these unique populations if priorities for expenditures is delegated from the federal level.

It must not be ignored that WIC is involved in the business of food distribution in its role as a nutrition program. Many of WIC's strengths result from lessons learned from food stamps and other food distribution programs. It must not be construed that the desire for flexibility in federal regulations which would enhance interprogram coordination, lessens the need or desire for close regulation and accountability in the aspects of food delivery. A major strength of WIC has been its success in assuring close monitoring and accountability in areas of food delivery. The assistance in this area from USDA which has resulted from its years of experience, has been and continues to be invaluable, especially in areas such as vendor monitoring and fraud investigation. If WIC were transferred to the Department of Health and Human Services, this valued relationship and expertise would be sacrificed.

Finally, WIC's continued support, (exhibited by its unique status among programs receiving additional funds in FY 82) has only been possible because WIC has proven the importance of nutrition's contribution to the delivery of preventative and therapeutic health services as a whole. Only because WIC is identifiable, and able to evaluate its effectiveness, has such support been possible. To those of us, convinced that WIC will continue to prove its impact upon the health of this nation's children, such identity is imperative.

The National Association of State WIC Directors does not feel that the nutritional and health needs of American children should be sacrificed on the altar of a planned recession; high interest rates or ominous increases in military spending. Inadequate nutrition in childbearing women and their children is unacceptable in this country. The projected deficit will not be significantly reduced by cuts to WIC or MCH - but only when America's vast unemployed labor force returns to work.

It is the desire of the National Association of WIC Directors that WIC will retain its status as a categorical program.

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STATEMENT OF MILTON KOTELCHUCK, ASSISTANT PROFESSOR OF SOCIAL MEDICINE AND HEALTH POLICY, HARVARD MEDICAL SCHOOL AND STAFF MEMBER, CHILD HEALTH POLICY PROGRAM, CHILDREN'S HOSPITAL MEDICAL CENTER, BOSTON, MASS.

Chairman Dole, Senators:

My name is Milton Kotelchuck. I am presently Assistant Professor of Social Medicine and Health Policy, Harvard Medical School and on staff of the Child Health Policy Program, Children's Hospital Medical Center, Boston. Until recently, I was the Assistant Commissioner of the Massachusetts Department of Public Health, where I had oversight responsibility for the Massachusetts WIC Program, and more importantly for my testimony today, I had been the Project Director of the Massachusetts WIC Evaluation Study.[1]

I thank the Subcommittee for the opportunity to speak to you today, in opposition, to the proposed $332,000,000 cutbacks in the Women, Infant and Children Supplemental Food Programs. Contrary to the arguments made in favor of this cutback by the present Reagan Administration, I believe that the WIC Program is a well targeted public health program, which can demonstrate improvements in the health status of nutritionally and financially at risk women and children.

Improving the health of the newborn infant has been a major focus of Public Health activity during this century. Good maternal nutrition during pregnancy is well known to be one critical factor associated with the health of the newborn. Unfortunately, good nutrition is not available to all members of our society. The Special Supplemental Food Program for Women, Infants and Children (WIC) was established in 1972 by the U.S. Department of Agriculture as one effort to address the health needs of those members of our society for whom good nutrition may not be available.

The goal of WIC as stated in its mandating legislation is to:

> provide...supplemental foods and nutrition education.. as an adjunct to good health care, during such critical times of growth and development, to prevent the occurrence of health problems and improve the health status of these persons. (42 USC 1786 (a), 1978 as amended)

While the Public Health sentiment behind the WIC Program is admirable, in times of financial constraint, it is necessary to assess whether this public program is actually able to meet the goals of its originators. The underlying goal of the 1980 Massachusetts WIC Evaluation Project is to assess the effectiveness of WIC, as a public health program, to improve the health status of infants born to nutritionally and financially at risk mothers.

WIC Program

The WIC Program is this country's largest maternal nutrition supplementation program. The WIC Program combines a nutritious food package and nutrition counseling into a total integrated health care program. Funded nationally at $900 million in 1981, WIC Programs serve approximately 2.2 million persons.

In Massachusetts, the WIC Program operates through 35 non-profit local health centers and poverty agencies under contract from the Division of Family Health Services, Department of Public Health. In 1981, approximately 37,000 people participated, of whom more than 5,000 were pregnant women.

Physicians or health care providers refer low-income pregnant women, lactating women, infants and children under 5 to local WIC Programs. Two factors determine eligibility: income (less 195% poverty level), and nutritional risk. Nutrition assessments are conducted by nutritionists who certify participants. Pregnant women are considered nutritionally at risk if they are younger than 19 or older than 34, have a poor obstetrical history (previous low birthweight infants, miscarriages, short periods between conception, gestational diabetes), are anemic, have experienced poor weight gain (low or high), or consume inadequate levels of food. Pregnant women remain eligible until six weeks postpartum.

In Massachusetts, eligible participants receive a monthly set of food vouchers which are redeemable at local grocers for specific nutritious foods tailored to individual needs. Food substitution is not allowed. Available foods may include: milk, cheese, iron fortified cereal, fruit juices, eggs and iron fortified formula for infants. The cost of the food package is approximately $30.00 per month. Participants receive nutrition counseling, and nutrition notes are included in the medical records. A more complete description of the WIC Program appeared in The New England Journal of Medicine, Volume 302, pages 579-581, 1980.

Need for the Study

Unfortunately, considering the size of the federal expenditure and its imposed impact, the WIC Program has been inadequately evaluated. There are inherent methodological difficulties in studying the effects of a broad based intervention program, such as WIC, which serves a large voluntarily enrolled population through multiple program sites. Very few researchers have studied WIC. Kennedy (1978) and Edozien et. al. (1979) have shown a positive association between WIC participation and birth outcomes, using quite different methodologies. Additional evaluations of the WIC Program are necessary to assess the effectiveness of governmental maternal and infant supplementation programs.

Three major research design problems have particularly plagued evaluation efforts in the WIC Program, to date. First, given that WIC is a direct service program operating out of a large number of sites, the quality of the data collected at the sites is poor. While detailed medical information is collected on each participant, it is difficult to retrieve, and its reliability may be questioned. Second, the lack of a proper control group has made a direct evaluation of WIC difficult. Other studies used similar groups as controls, but were unable to achieve the methodological power of a matched control comparison design. And third, the small sample size of most prior studies limit the generality of prior findings; a large scale assessment of WIC impact has yet to be made. Each of these three research issues is addressed in the present study.

Purpose of the Study

The purpose of this study was to evaluate the association between maternal participation in the WIC Program and the outcomes of pregnancy. Specifically, four questions were to be answered:

1. Does the WIC Program reach its high risk target population?
2. Is WIC participation associated with improved pregnancy outcomes?
3. Does duration of participation in the WIC Program relate to pregnancy outcomes?
4. What is the association between WIC participation and pregnancy outcomes in the higher risk sub-groups in the WIC population?

Design and Derivation of the Study Population

The basic design of the study involves a direct comparison of the birth outcomes of two groups of women--Massachusetts women who participated in WIC and gave birth in 1978, and a directly matched control group of non-WIC participants who gave birth in 1978. The creative element of this study was to link two independently and previously collected data sets (data from the State Birth and Death Registry, and data from the monthly participation and uncashed voucher reports from the WIC Computer System).

To answer questions that neither data set alone could provide the answers to, the Massachusetts WIC computerized voucher system was established as a bank control to monitor the issuance and redemption of WIC food vouchers. These reports provided accurate documentation of the names of all prenatal WIC participants, along with information on their length of participation, and the number of vouchers they redeemed (i.e., the duration and extensiveness of WIC participation).

The Massachusetts birth certificates provided data on maternal characteristics (age; education; race; town of residence; parity; marital status; and nativity), prenatal care (month prenatal began; number of prenatal visits), and pregnancy outcomes (birthweight; gestational age; complications of pregnancy, labor and delivery; congenital malformations; Apgar scores; and exact birth date). Death certificates were available on all infants dying between birth and 28 days. Collected uniformally on all births, independent of participation or non-participation in the WIC Program, State Birth Registry data should eliminate bias in data ascertainment between the two groups.

The results of this study, however, are limited by the accuracy and extent of information available from birth and death certificates. For example, information, such as maternal stature, maternal weight gain during pregnancy, and maternal smoking habits are not available on birth certificates, and hence, are not examined in the present study. There are known limitations on the accuracy of recorded birth certificate data items. Presumably, any limitations would be evenly distributed between WIC subjects and control subjects, and only decrease the likelihood of finding significant inter-group differences.

- See Table 1 -

TABLE I

1980 Massachusetts WIC Evaluation Project

Derivation of Study Population

Number of Names of WIC Prenatal Participants Giving Birth in 1978		4,898
Number of Excluded Names		494
Twins		
Known to have moved out-of-state	46	
Known Stillbirths	18	
Known Abortions and Miscarriages	62	
Terminated from Program	353	
Number of Names Eligible for Study		4,404
Number of Unmatched and Unlinked Names		278
Dropped from Computer	82	
Unlinked (no birth certificate found)	191	
Unmatched (no control found	5	
Number of WIC Prenatal Participants Linked to Their Infant's Birth Certificate and Matched to a Control		4,126
Percent Study Cases of Eligible Names		94%

Three steps were involved in the derivation of the study population. First, the names of all prenatal WIC participants in 1978 were drawn from the WIC computerized participant and voucher reports (N=4898). Data on duration and extensiveness of participation were also recorded. Second, the mothers names were then linked, by hand, to the corresponding infants birth certificates (mothers and infants were linked) to identify women having a single birth in 1978 (N=4404). Only two hundred and seventy-three names were unlinked because of insufficient information to make a positive linkage (i.e., possible name changes, moves out of state, etc.) No systematic demographic bias was detected among the excluded.

Third, WIC subjects were then individually linked to a control subject. Control subjects were selected from the pool of 66,000 remaining non-WIC births in the computerized State Birth Registry file. Each WIC infant was matched to a control on five maternal characteristics listed in the chart below.

MATCHING CRITERIA

AGE: 15 & under, 16-17, 18-19, 20-24, 25-29, 30-34, 35+
RACE: Black, White, Oriental, Other
PARITY (BIRTH ORDER): 1, 2, 3, 4, 5+
YEARS OF EDUCATION: 8 and under, 9-11, 12, 13-16, 17 or more
MARITAL STATUS: Married, Unmarried

This provides for very accurate matching. Controls were not available for five cases who were dropped from the study.

In sum, the Massachusetts Department of Public Health was able to link and match 94% of the eligible names of WIC participants, thus creating a study population of 4,126 and a control group of equal number. This is the largest study of WIC to date; virtually every pregnant WIC participant in Massachusetts, in 1978, was included in this study.

Data Analysis

The assessment of the impact of WIC was examined by comparing the birth outcomes of the two matched groups of women--those who participated in WIC and those who did not. The available outcome measures were derived from the State Birth and Death Registry.

OUTCOME VARIABLES

- Birthweight
  - Birthweight
  - Low birthweight ≤ 2500 grams
  - Birthweight adjusted for gestational age
  - Small for gestational age
- Gestation
  - Length of gestation
  - Prematurity
- Morbidity
  - Complications of pregnancy, labor and delivery
  - Apgar scores (one and five minute)
  - Malformations

- Mortality
  - Neonatal deaths
- Prenatal Care
  - Number of prenatal visits
  - Month prenatal care began
  - Adequacy of prenatal care index
  - Percent receiving inadequate, intermediate, and adequate prenatal care

Birth certificate information provides accurate data, which is obtained in the same manner and with the same accuracy, equally for WIC and non-WIC subjects of this study. The results of this study should be free of ascertainment bias.

Statistical differences in the outcome measures between the two groups were established using paired T-Test comparisons for continuous data items, and using correlated proportions Chi Square for ordinal data. Statewide demographic comparisons were developed using the State Birth and Death Registry's master tapes for all births and deaths in Massachusetts in 1978.

The design of the present study interprets all statistical differences as a function of WIC participation, the stratifying factor. It is assumed that all other variables are similar across the two groups. Studies such as this one, which establishes the intervention sample on the basis of voluntary self-selection, is subject to other interpretations; there may be confounding factors for which we have not controlled. The tight matching of the WIC and control groups attempts to assure inter-group similarity.

Does the WIC Program Reach Its High Risk Target Population?

The WIC Program was established to serve low income women who are at greater risk for poor pregnancy outcomes. To test whether WIC reaches its target population, data from the Massachusetts Birth Registry was used to compare demographic characteristics of all women giving birth in 1978 in WIC catchment areas and in Massachusetts. (In 1978, only women residing in certain geographic areas in Massachusetts were eligible to participate in WIC).

Yes, the WIC Program appears to be successfully targeted at a population at high risk for poor pregnancy outcomes. The young teenage population (17 years and under) comprised 12.1% of WIC's population compared to 6% in WIC catchment areas and 3.8% in the State; while all teenagers (19 years and younger) comprise 28.6% versus 16.9% and 11.5% in the three groups, respectively. WIC included more women who did not finish high school (49.2% versus 31.5%, 19.0%) and more unmarried women (40.7% versus 23.9%, 13.7%). The proportion of Black women in WIC (23.8% was higher than area of state averages (16%, 6.2%). The birth parity of study women was similar to comparison groups except that WIC reached slightly more women with a parity greater than four (6.5% versus 4.1%, 3.3%).

From both a biological (age, race, parity) and socio-economic (education, marital status) perspective, the Massachusetts WIC Program appears to have extended program benefits to the sector of pregnant women most at risk for poor outcomes of pregnancy.

Is WIC Participation Associated with Improved Pregnancy Outcomes?

- See Table 2 -

Participation in WIC is associated with improved pregnancy outcomes and better prenatal care. The results are summarized on Table 2.

All pregnancy outcome measures show a small, but positive association with WIC participation. In particular, WIC participation is associated with a significant decrease in the incidence of low birthweight infants (under 2500 grams or 5.5 pounds, $p < .005$). The incidence of low birthweight was reduced to 6.9% (N=283) among WIC women compared to 8.7% births (N=360) in the matched controls. This is a reduction of 21% in low birthweight infants. The low birthweight rate, for all Massachusetts births in 1978 was 6.5%. This is a very important finding, since low birthweight is the major risk indicator for subsequent mental retardation developmental disabilities, neonatal death, and increased childhood morbidity.

WIC participation appears to be associated with a decrease in neonatal mortality, ($p < .005$). In the WIC population there were 12 deaths compared to 35 deaths in the control group.

The mean birthweight in the WIC population was greater than in the control group ($p < .09$) and the length of gestation was longer ($p < .001$). The absolute differences, though, were small; 21 grams and 1½ days. No differences were detected in mean birthweight adjusting for gestational age. This suggests that the increase in mean birthweight in the WIC population is mediated through an increase in length of gestation.

Improved prenatal health care is a major goal of the Massachusetts WIC Program. WIC participation is associated with better prenatal care. This is the strongest overall finding of study. WIC participants began their prenatal care earlier than their controls ($p < .001$) and had more prenatal visits ($p < .001$). The prenatal care index (a standard measure of adequacy of care combining these two statistics with an adjustment for gestational age) indicates that WIC participants received overall better care ($p < .001$). There was a major decrease in the number of women receiving inadequate prenatal care (3.8% versus 7.0% ($p < .01$)). In sum, WIC participation is associated with improved pregnancies.

Does Duration of Participation in the WIC Program Relate to Improvement in Pregnancy Outcomes?

A clearer picture of the positive association between WIC participation and improved birth outcomes emerges when duration of participation is examined. The mean duration of participation in WIC was 4.6 months; 33% participated for 7 to 9 months, 45% participated for 4 to 6 months and 22% participated 1 to 3 months. The realtionship between duration of participation in WIC and outcomes of pregnancy was examined by dividing WIC participants

TABLE 2

1980 Massachusetts WIC Evaluation Project

SUMMARY FINDINGS

	WIC	Control	P-Value
BIRTHWEIGHT FINDINGS			
Birthweight(in grams)	3281.00	3260.00	$<.087$ n.s.
% Low Birthweight	6.90	8.70	$<.005$
Adjusted Birthweight(in grams)	-52.00	-48.40	n.s.
% Small for Gestational Age	4.65	4.95	n.s.
GESTATION FINDINGS			
Gestational Age(in weeks)	39.95	39.71	$<.001$
% Premature(under 36 weeks)	5.80	6.80	n.s.
MORBIDITY			
% with Complications of Pregnancy, Labor, and Delivery	20.20	21.10	n.s.
% with Congenital Malformations	1.70	1.70	n.s.
% Low(<5)Apgar Score(1 minute)	8.20	8.20	n.s.
% Low(<5)Apgar Score(5 minutes)	.50	1.00	n.s.
MORTALITY			
Number of Neonatal Deaths	12.00	35.00	$<.005$
PRENATAL CARE			
Mean Number of Prenatal Visits	11.21	10.78	$<.0001$
Mean Month Prenatal Care Began	2.76	2.93	$<.0001$
Mean Adequacy of Care Index	1.08	1.14	$<.0001$
% with Inadequate Care	3.80	7.00	$<.001$
% with Intermediate Care	26.50	26.60	n.s.
% with Adequate Care	69.70	66.40	n.s.

and their controls into these three groups and re-examining the outcome measures specifically for each sub-group. (The present analysis is not adjusted for duration of gestation, however, over 93% of all study births were full term).

- See Table 3 -

The results of these analyses are summarized on Table 3 and show that duration of participation is strongly associated with positive birth outcomes. Participation in WIC for 7 to 9 months during pregnancy was associated with the most positive birth outcomes, in terms of birthweight was increased by 111 grams ($p < .001$), neonatal mortality was decreased ($p < .05$) and participants prenatal care was better ($p < .001$). For WIC women on 4 to 6 months, outcomes of pregnancy are significantly better, but the absolute improvement is not as great. No positive associations were noted for short duration of WIC participation.

- See Figure 1 -

The dramatic nature of the association of increased duration of WIC participation and improved pregnancy outcomes can be seen in Table 4, the mean birthweight differences by months of participation. Positive benefits appear cumulative and only among the participants of long duration. Among women participating in WIC for 9 months, the birthweight difference was approximately half a pound. Neonatal deaths parallel the mean birthweight graph. There were no deaths occurring in women who participated in WIC 6 to 9 months, while among the controls, neonatal deaths were evenly distributed.

In sum, duration of participation in WIC was strongly associated with positive outcomes of pregnancy. These findings emphasize the importance of physicians and other health care providers in referring women to a WIC Program early in their pregnancies.

What is the Association between WIC Participation and Pregnancy Outcomes in the Higher Risk Sub-Groups in the WIC Population?

Because of the large numbers of subjects within the larger WIC population, sub-groups can be examined for the first time. Although, all participants in th WIC Program are certified as being at high risk for poor outcomes of pregnancy, certain sub-groups within this population are known to be at even greater risk. These higher risk sub-groups include: teenage mothers, Black and Latin women, women who never graduated from high school, unmarried women, etc.

TABLE 3

1980 Massachusetts WIC Evaluation Project

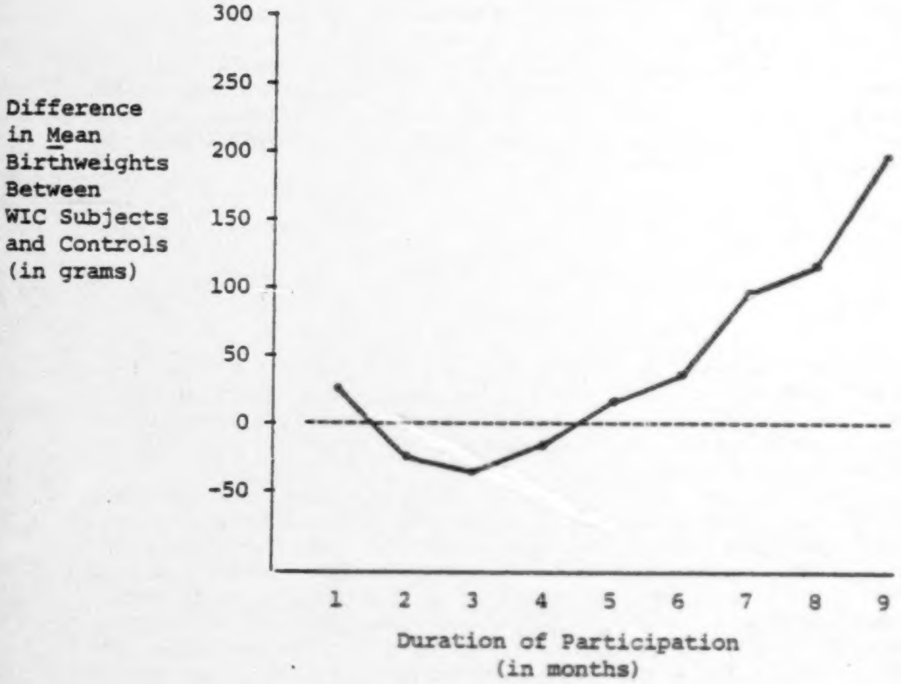
Selected Outcome Measures by Duration of Participation

	Length of Participation		
Measure	1 - 3 Months	4 -6 Months	7 - 9 Months
Birthweight Difference (grams)	-23	10	111.2***
Corrected Birthweight (grams)	-28	-3	34
Low Birthweight Ratio (WIC:Control)	112:106	140:176*	31:78***
Neonatal Deaths (WIC:Control)	7:12	5:15*	0:8*
Gestational Age Difference (weeks)	.07	.11	.72***
Prenatal Care Adequacy Index Difference	-.07***	+.07***	+.23***
Number of Prenatal Visits Difference	-.20	.45***	1.15***

$p < .001$ = ***
$p < .01$ = **
$p < .05$ = *

FIGURE 1

Mean Birthweight Difference by Duration of Participation



The basic positive association between WIC participation and improved pregnancy outcome is similar in the higher risk sub-groups. All sub-groups showed a similar trend toward increased birthweights, decreased low birthweight infants, increased gestational age and decreased neonatal mortality compared to their controls. In all sub-groups, prenatal care was better, with the exeption of Latin and Caribbean born women. Whether a specific finding reaches statistical significance seems more a function of the size of the sub-group than of its unique group characteristics.

The improvement in pregnancy outcomes associated with WIC participation appear stronger in the higher risk sub-groups than in the other sub-groups. Ranking groups by degree of risk for nutritional related problems, the magnitude of the improvement is positively correlated with increased risk. In particular, outcome measures were more positive in teenagers than in older women, in black than white populations, in Latin born than American born women, in less educated than high school graduates, and in unmarried women than in married women. No consistent pattern was noted for increased birth parity.

- See Figure 2 -

The increased positive findings with increased risk is best illustrated by the association of maternal age and birthweight. As Figure 2 indicates, the younger the mother, the greater effect of WIC participation. WIC appears to be more effective in the higher risk sub-groups.

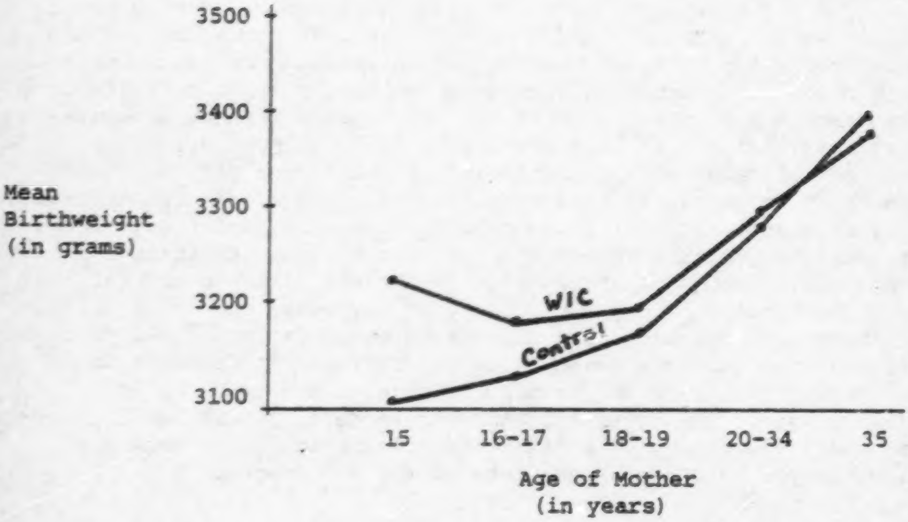
The strongest positive associations were seen in WIC participants born in Latin America or in the Caribbean Islands and in young teenage mothers. The infants born to Latin born WIC women were on the average 70.8 grams heavier than those born to controls ($p < .001$). In contrast to the study population as a whole and other sub-populations, this difference remained significant even after adjusting for gestational age ($p < .05$). The percent of low birthweight infants born to WIC participants also declined 6.7% compared to 10.2% among the controls. The prenatal health care indices however, were not significantly different between Latin subjects and controls.

Young teenagers (17 years old and younger) appear to benefit extensively from WIC participation. The WIC Program actively reaches the young teenage mother. In 1978, the Massachusetts WIC Program served 503 pregnant young teenagers; 37% of all young teenagers giving birth in WIC eligible catchment areas.

WIC participation for young mothers is associated with a sizeable increase in birthweight in these young mothers (56.7 grams), and a decrease in the percent of low birthweight infants, (8.7% compared to 11.9% in the controls and 10.0% of all young

FIGURE 2

1980 Massachusetts WIC Evaluation Project



teenage births in Massachusetts). The infants born to young teenage WIC mothers remained in utero 3½ days longer than infants born to controls ($p < .03$). Moreover, young WIC teenagers had early and better prenatal care; they came for prenatal care three weeks earlier than their controls and had 1.2 more prenatal visits. The adequacy of prenatal care index showed that young teenagers participating in WIC had significantly better prenatal care ($p < .004$). WIC is a very positive program for teenage parents and their offspring.

In Summary

The birth outcomes of 4,126 pregnant women who participated in WIC in Massachusetts and gave birth in 1978 were compared to a matched group of 4,126 pregnant women who did not participate in WIC, using information from their newborn's birth certificates. The results indicate: 1) that the WIC Program reaches a population nutritionally and financially at risk for poor pregnancy outcomes; 2) that WIC participation is associated with improved pregnancy outcomes; 3) that increased duration of participation in WIC is associated with improved pregnancy outcomes; and 4) that the positive association between WIC participation and pregnancy outcomes is stronger in the higher risk sub-groups.

The hopes of WIC's founders, that a program of public nutritional supplementation and nutrition education as a adjunct to good prenatal care would be associated with improvement in the health status of our newest citizens, seems to be valid. WIC appears to be a successful and well targeted public health program. I hope you will take this information into consideration, as you help decide the fate of the WIC program.

Thank you.

Footnote

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BACKGROUND

The origins of the WIC program can be traced to the sensationalistic 1968 revelations of "widespread hunger and malnutrition in the U.S.A.", based originally on the so-called Field survey (1) and on the media spectaculars which followed it. Although it is undoubtedly true that the "survey" opened the eyes of many, in and out of Government, to the deplorable conditions under which many of our citizens were living and bringing up their children, it certainly would not qualify now, nor did it do so in 1968, as a proper survey: no scientific sampling methods were used, only cursory examinations were made, and every imaginable ailment was attributed to malnutrition, including long-term adverse effects on behavior and intelligence. Tiny premature infants in incubators were portrayed on television as the victims of malnutrition, as were morbidly obese women.

One of the consequences of these "revelations" was the 1969 White House Conference on Food, Nutrition and Health. It is particularly pertinent to recollect now the prophetic comments made about this conference, shortly before its formal opening, by John Kramer, Executive Director of the National Council on Hunger and Malnutrition in the U.S.: "The main criticism relates to the switch in the conference focus - veering sharply away from the problems of feeding the poor to the problems of the professionals. The recommendations we have seen seem aimed more at guaranteeing job protection for the nutritionist, the dietitian, and the doctors than they are toward guaranteeing an income for the poor." (2)

Another direct result of the 1968 "revelations" was the commissioning by the Congress of the "Ten-State Nutrition Survey", carried out in 1968-1970. The areas chosen for the survey were those in which high prevalence rates of malnutrition, if such existed, were likely to be found. Within the populations chosen, scientific sampling procedures were used to assure representativeness, and detailed anthropometric, physical, biochemical, and dietary data were obtained (3). Although positive findings were meager, considerable liberties were taken in their interpretation to the public and before the Congress. Although no cases of clinical vitamin A deficiency were documented, the finding of a surprisingly high prevalence of low serum vitamin A levels was used to make the patently ridiculous claim that there was more vitamin A deficiency in the United States than in Pakistan, a country where many thousands lost their eyesight every year because of vitamin A deficiency (4). The finding of an excess, relative to a United States reference population, of low height-for-age in children was cited as evidence of undernutrition, despite generally normal or "excessive" weight-for-height and despite the fact that this excess of low stature was found predominantly in Mexican-American and Puerto Rican children. It is still not known whether this is a racial characteristic, genetic selection for small size in populations surviving chronic food shortages, or the result of specific differences in the nature of diets relative to those of well-nourished or actually over-nourished groups. The most frequent findings were those of low hemoglobins and hematocrits suggestive of iron deficiency. Although much of this was due to the normally lower hemoglobin levels of blacks (5), a significant proportion may well have been of dietary origin, possibly in relation to heavy consumption of whole grain cereals and low consumption of animal products.

Even before the findings of the Ten-State Survey were reported, generally popular decisions were made to expand Food Stamps, School Lunch, School Breakfast, Summer Lunch, and other programs. One of the major motivating factors behind these developments was the assumption that even moderate degrees of undernutrition could result in significant impairments of mental as well as physical development. This fostered the hope that the correction of the perceived nutritional deficiencies of the disadvantaged sectors of our society would somehow eliminate the very real problems of scholastic underachievement and delinquent behavior, with a minimum of sacrifice. Observations in underdeveloped nations had earlier suggested that severe malnutrition in infancy and early childhood resulted not only in physical stunting but also in significant degrees of mental retardation: a number of carefully executed studies have since failed to substantiate both assumptions, and suggest instead that the inferior mental performance is most likely the result of intellectual deprivation in the poor environments in which malnutrition usually develops (6).

Studies carried out in underdeveloped nations have indicated that maternal undernutrition before and during pregnancy results in low infant birthweights, subsequent poor growth, and elevated mortality rates, and that dietary supplementation during pregnancy may ameliorate this situation (7). The conclusions of that study, made in Guatemala, are not universally accepted. The United States continues to experience an undesirably high incidence of low birthweight, due primarily to premature labor and delivery, very particularly among the black population. This accounts for most of our excess infant mortality in comparisons with other highly developed nations. No convincing evidence has been developed to relate premature delivery to nutritional deficiencies. The remainder of low birthweights in this country are due to low-weight-for-dates: there is reason to believe that a significant proportion of these may have a nutritional cause, as in the underdeveloped world, but even this is not proven. The one major, carefully controlled intervention to measure the effect of supplementation during pregnancy on the birthweights of a predominantly black population suggested a positive effect only in a sub-group of women who smoked heavily (8). Quite disturbingly, in the group receiving a predominantly protein supplement there was an excess of very early premature births and associated mortality. Reviews of other similar interventions have suggested that this may not have been a chance occurrence (9, 10).

Although it has generally been assumed that dietary supplementation during lactation should increase the amount of breast milk produced by undernourished mothers, there is a disconcerting lack of corroborating evidence, even in countries where most women are severely undernourished and do not produce enough milk to support adequate infant growth (11). It may well be that after the birth of the baby it may already be too late to produce more than a minimal effect. This does not mean, however, that such supplementation would not improve maternal nutrition and health. In some studies maternal supplementation during pregnancy has produced an increase in maternal weight gain with little or no effect on infant birthweights (9, 10).

The WIC program was based on the assumption that in this country there was a significant incidence of low birthweight, with disastrous long-term consequences, due to maternal undernutrition, and an equally significant incidence of undernutrition during infancy and early childhood with equally untoward effects on the physical and mental development of children. A number of statements to the press and the Congress have implied that there is evidence of congenital defects due to specific nutrient deficiencies, such as have been demonstrated in experimental animals.

Alcohol and drug abuse have been clearly established in this country as causes of severe abnormalities in human newborn infants, as have certain medications and toxicants; specific nutrient deficiencies have not. Adolescent pregnancy and smoking have been convincingly related to low birthweight, as has racial origin. Although there is reason to believe that maternal undernutrition prior to or during pregnancy contributes to low birthweight in this country, there is no evidence to suggest that this is a major contributing factor, particularly among American Indians or Mexican-Americans. On the other hand, most of the significant infant and child malnutrition found sporadically throughout the country is known to be due to child neglect or abuse, making it much more a social than a food problem.

The legislation which created and expanded the WIC program specified that nutritional supplementation was to be provided to pregnant and lactating women and to infants and small children who were determined to be at nutritional risk by competent professional authority. It also specified that an evaluation was to be made of the physical and mental benefits of participation in the program.

PRELIMINARY EVALUATION

A contract was awarded by the U.S. Department of Agriculture in 1973 to the University of North Carolina to evaluate the early stages of the WIC program, and the General Accounting Office was asked to evaluate the evaluation. Public pressure had made it impossible to select proper control populations against which to compare WIC participants, and thus made it extremely difficult to make a meaningful quantification of benefits which might be found among participants, or to attribute any improvements to their participation. The G.A.O. advised the Congress that the evaluation which was underway would not produce proof of benefits or the lack of them (12). Nevertheless, the program continued to be expanded until it reached its current size.

Although in some programs participants have been selected on the basis of the criteria mandated by Congress, in many others being "at nutritional risk" has been very loosely interpreted as belonging to certain population groups or living in certain areas. From the very beginning this has hopelessly complicated if not fully compromised any attempt at a proper evaluation: being or becoming overnourished is hardly a benefit and represents a potentially serious health hazard.

Despite the G.A.O. report, the results of the North Carolina evaluation were presented to the Congress as demonstrating very substantial benefits to the participants (13). Along with this, many "testimonials" were heard and recorded, giving glowing accounts of the nutritional benefits of the WIC program. These included a second Field survey which was admitted to be nothing more than a whirlwind "look-see" tour with no pretense at measurement or examination. When questioned by Senator Dole, Dr. Raymond Wheeler stated: "We made no surveys in the scientific sense on our second trip to look at hunger. We did very little in the way of physical examinations in contrast to the earlier trip where we did have the opportunity .... to examine a lot of people, adults and children" (14).

The North Carolina evaluation reported a greater weight gain among pregnant women participating in the WIC program than in non-participants (15). Along with this, a prolongation of five to six days in the duration of pregnancy and an increase of 136 grams in average birthweights were attributed to the program. In all health programs requiring voluntary and regular participation, it is well established that participants differ a priori from non-participants in a variety of ways, notably motivation, which of themselves contribute to better outcomes (16). Unlimited weight gain during pregnancy is of itself a hazard to both mother and baby. If a relatively small number of women gain an excessive instead of a desirable amount of weight and this raises the average, it cannot be counted as a benefit. The same is true of undesirably high birthweights. Early and regular attendance at a prenatal clinic is associated with better pregnancy outcomes, making it impossible to distinguish between this and any nutritional supplements as the cause of better outcomes, such as fewer premature deliveries (17).

In truly undernourished populations it has been suggested that dietary supplementation during any of the trimesters of pregnancy will result in higher birthweights (7). The North Carolina evaluation indicated that only when participation was of at least six months duration measurable advantages were found: this suggests that early and regular clinic attendance rather than the supplements accounted for the differences. It is also obvious that any group of women defined by their participation in the program for at least six months, and enrolled after two to three months of pregnancy, will almost automatically exclude those who had a premature delivery. Almost all of these are automatically included in those groups participating for less than six months. Only when a group of women matched for all characteristics known to affect the outcome of pregnancy, and receiving the same health care during pregnancy, are randomly assigned to receive or not receive supplementation is there a strong possibility of demonstrating benefits or the lack of them (8). This was unfortunately made impossible even in the pilot stage of the WIC program. The North Carolina evaluation indicated that the pregnant and lactating women who participated already had satisfactory protein and calorie intakes and that 40% were already overweight at the time of enrollment (15).

The greater weight gains reported among infant and child participants appear to be a contribution to the prevalence of childhood obesity, a matter of major health concern. Those children who at the time of enrollment were already in the upper decile of national weight-for-height norms gained twice as much weight during their participation as those in the lower decile and almost certainly account for the increase in the average weight gain. The patently absurd suggestion was made that these excessive gains in already overweight children might represent correction of unsuspected deficits (15). The fact that comparisons were made between "baseline" and "follow-up" data without adequate record linkage does not inspire confidence in the analyses made and their interpretations.

Any interpretation of changes over time in hemoglobin and hematocrit levels of infants and children must of necessity take into account the ages of the participants at the time of enrollment: these measures tend to reach their lowest levels during the second and third semesters of life and to recover spontaneously thereafter in most children. This normal recovery can be mistakenly attributed to simultaneous dietary or other interventions. Much of the iron-deficiency anemia seen in this country during late infancy and early childhood is due to blood loss into the intestine provoked by the drinking of undenatured cow's milk protein (18). This phenomenon, when it occurs, stops spontaneously, and any resultant anemia also tends to correct itself. Any classification of hemoglobin levels as representative of iron-deficiency anemia must also take into account the already cited lower levels, by 0.5 to 1.0 grams per 100 milliliters, of black infants and children (5). By providing iron-fortified formulas instead of whole cow's milk to infants, the WIC program has probably prevented the previously mentioned blood-losing phenomenon in many, and may have helped correct some existing iron-deficiency. Just how much of the apparent improvement in hemoglobin reported in the North Carolina evaluation is real and due to these effects is impossible to determine.

Despite the claims made, it is apparent that the G.A.O. study correctly predicted that the results of the North Carolina evaluation would be impossible to interpret. The given lack of true control populations with which to compare WIC participants, the impossibility of distinguishing benefits which might be attributed to food supplements from those due to simultaneous health care, the predicted lack of proof that the supplements were not merely substitutes, the fact that excessive weight gain by mothers or their children cannot be counted as a benefit, and the failure to identify changes which normally occur over time from those which might be due to program participation all make it extremely doubtful that any actual nutritional benefits occurred. The possible improvement in child hemoglobin levels, if such did occur, could certainly have been achieved at a fraction of the cost.

OTHER EVALUATIONS

The oft-quoted "Harvard evaluation" is the thus far unpublished doctoral thesis of Dr. Eileen Kennedy. It is to be hoped that this material or important segments of the same will appear in scientific journals after critical editorial review: until such time, interpretations of the carefully gathered data must be made with considerable caution. This study concluded that dietary supplementation produced a positive and significant change in birthweights with a consequent decrease in the incidence of low birthweight infants born to WIC participants. It was further concluded that with an increased number of monthly food vouchers there was a correspondingly greater effect on birthweight (19). Although two types of "controls" were used, there was no correction made in the analysis for the almost certain role of clinic attendance in the apparently improved birthweights. No distinction was made between premature and small-for-dates infants in the analysis, a distinction of major importance in any interpretation. As in the North Carolina evaluation, only the infants born to mothers who received six or more monthly vouchers demonstrated significant increases in birthweight. Average duration of pregnancy at enrollment had been almost four months. As in the North Carolina study, almost all mothers delivering prematurely are excluded from this group, and the benefits of regular prenatal care are confounded with those of dietary supplementation. When the WIC participants as a whole are compared to the general population, the incidence of low birthweight is not different. Racial make-up of the groups was not defined and could have influenced the findings.

The "Harvard" study also examined the effects of WIC participation on the hematocrit and hemoglobin values of pregnant women. It was reported that those who were initially anemic evidenced a significant improvement in hemoglobin but not in hematocrit values (20). The final mean hematocrit and hemoglobin values were significantly higher in WIC participants than in non-participants, suggesting that non-anemic women also experienced increased hematocrit and hemoglobin values: final mean hematocrit values were 36 and 35, respectively, for participants and non-participants. The statistical significance of even this meager difference might be questioned, as no correction was apparently made in the analysis for the specific time in pregnancy at which the initial values were obtained. Both hemoglobin and hematocrit levels normally decrease after the third month of pregnancy and recover partially during the last trimister. Lest all increases in hematologic values during pregnancy be interpreted favorably, Garn and Keating have recently reported increased rates of fetal death, short gestation, low birthweight and medical abnormalities at both ends of the hemoglobin and hematocrit distributions (21). Quite interestingly, the most favorable hemoglobin levels for black women were about 0.5 to 1.0 g/100 ml lower than for white women. Caution has recently been reiterated against the routine administration of iron supplements to pregnant women (22).

Another evaluation conducted by the Massachusetts Department of Public Health concluded that the WIC program had a positive effect on neonatal outcome as evidenced by the significant difference in birthweight between WIC participants and non-participants and a significantly lower incidence of low birthweight infants born to WIC mothers (23). Cases and "controls" were not matched for clinic attendance or other important factors, such as smoking, which influence birthweight. It is difficult to interpret the reported favorable results and to attribute the differences demonstrated to the food supplements of the WIC program. Of the various evaluations made, this seems the most convincing, probably because criteria for inclusion in the WIC program were more carefully followed. As in most such studies, there is not even the certainty that the foods distributed were consumed in significant amounts by the intended recipients and if so, whether they represented supplements or substitutes.

The so-called "Yale Study" looked at infant deaths in the city of Waterbury and found a considerably lower perinatal mortality rate among WIC participants than among non-participants. The bias from voluntary participation, the lack of control for prenatal clinic attendance, and other factors which could have been strikingly different in the two populations make the results of this analysis impossible to interpret.

Data collection by the Center for Disease Control (CDC) in the process of nutrition surveillance have been used to assess possible effects of WIC participation. In one analysis of data from Arizona and Florida the finding of similar incidences of low birthweight, without distinguishing between prematurity and small-for-dates, among WIC participants and among the general population was interpreted as representing "a considerable improvement over the proportion of low birthweight babies that would have been born had the WIC program not existed" (24, 25). Such an interpretation is on a very tenuous scientific basis.

In another CDC assessment it was found that the presumed significant improvement in growth of infants and children noted during the course of participation in the WIC program was absent after controlling for individual variation and measurement error and might also have been due to improved techniques in measurement. Quality control data was made difficult as they were drawn from different clinics. Lack of true control groups for valid comparison limited interpretation of the results (26).

In a further analysis by the CDC, it was found that at the time of enrollment in the WIC program 48% of infants in one study were normal in nutritional status, or overweight. Despite being slightly lower in height for age than national norms, the enrollees had less than 5% of infants below the 5th percentile and considerably more than 5% over the 95th percentile of the national weight-for-height norms. After participating for six months the percentage of those below the 5th percentile decreased further and that above the 95th percentile increased even more (27). In a healthy population 5% should be below the 5th and 5% above the 95th percentiles. This population would have been described as overweight before participation and even more so after participation: most authorities on child health and nutrition would hardly consider this an "improvement".

A CDC analysis of changes in hemoglobin and hematocrit values of infants in the WIC program was interpreted as showing an increase in these values or prevention of their decrease (26). While, as in other evaluations, it seems probable that some of this improvement is real, most of it is due to the changes which occur spontaneously with advancing age. Using the same hemoglobin and hematocrit levels to define "anemia" at different ages, without regard for their normal evolution, results in many being classified as anemic when they are not. This is particularly true when race is also not taken into account.

The hematologic status of a small number of infants in Kentucky who participated in WIC was evaluated and it was concluded that anemia had been controlled or prevented (28). Although a real effect may indeed have occurred, the recognized difficulties caused by the varying ages of the participants and the normal changes with age make interpretation problematic.

A more recent study from Arizona looked at WIC participants who were white, Mexican-American, or American Indian infants (29). Although all three groups were indistinguishably normal in height-for-age and the white infants were normal in weight-for-height, the other two groups demonstrated a very striking excess of obese infants and children, as defined by the National Center for Health Statistics reference data. Unless this is truly a normal racial characteristic, which does not seem likely, it is a matter of very real concern.

There are thus far only informal and contradictory reports on the effect on breastfeeding incidence of WIC participation, particularly among those remaining underprivileged groups who practice prolonged breastfeeding. A diminishing trend would be viewed with considerable alarm by many.

CONCLUSIONS

1. The WIC program was developed and expanded on the basis of an alarmist overstatement of the incidence of undernutrition in this country and of its assumed consequences.

2. The enrollment of so many participants who were not only normal nutritionally but often obviously overnourished has been wasteful, may have been harmful to many, and has undoubtedly confounded all attempts at proper evaluation of the program.

3. It is most likely that the reported improvements in average birthweights and in the incidence of low birthweight among prenatal participants is nothing more than that which is to be expected among those who participate regularly in any health program, the result of more regular prenatal care, and an artifact of the way in which the data have been analyzed.

4. Reported improvements in infant and child growth are to a great extent the result of the improperly controlled fashion in which data had to be analyzed, of the same bias to better results among any group of voluntary participants, of possible benefits from regular health supervision, and of undesirable excesses of body weight added to those who were normal or overweight at the time of enrollment.

5. It seems likely that the displacement of whole cow milk by iron-fortified formula in the diet of infants has resulted in a decrease in the incidence of blood-loss into the intestine and of the resulting iron-deficiency anemias in a significant number of participants. Others may have been protected from the iron deficiency caused by inadequate stores at birth.

RECOMMENDATIONS

1. If the WIC program is to be continued it should be strictly on the basis of well-documented nutritional risk. As such, it should be a markedly smaller program, and only one component of comprehensive local health services.

2. It should be recognized that undernutrition in this country is almost invariably a part of social decompensation and that food is only one part and not the most important part of the measures which may need to be taken.

3. It seems probable that most of the apparent benefits of the WIC program are the result of its usefulness in increasing utilization of prenatal and pediatric health services by some groups who habitually do not make regular use of them. Although this is a worthy goal in itself, ways can and should be found to attain the

same end without the costs and possible health hazards of supplementary foods which are not needed, which further increase the dependence of the recipients, and which create false expectations in both recipients and donors.

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STATEMENT* OF JOHN C. MAC QUEEN, M.D., PROFESSOR OF PEDIATRICS, UNIVERSITY OF IOWA, COLLEGE OF MEDICINE, DIRECTOR OF IOWA SPECIALIZED CHILD HEALTH SERVICES, VICE-CHAIRMAN, THE SELECT PANEL FOR THE PROMOTION OF CHILD HEALTH

I very much appreciate the opportunity to testify before the Senate Subcommittee on Nutrition on the President's Fiscal Year 1983 Budget proposals with respect to the Special Supplemental Food Program for Women, Infants and Children (WIC Program) and the newly created Title V Maternal and Child Health Block Grant programs (MCH Block Grant programs). It is my understanding that the Administration has proposed that the WIC program be consolidated with the MCH Block Grant programs and that the Administration has proposed a large reduction in funding for these consolidated programs for Fiscal Year 1983.

As professor of Pediatrics at the University of Iowa College of Medicine and Director of the Iowa Specialized Child Health Services, I have had a long professional involvement with the provision of public health services to children. As vice-chairman of the Select Panel for the Promotion of Child Health, Ihave also recently participated in the Panel's extensive study of federal/state programs which have an impact on the health status of mothers and children such as the WIC program and the MCH Block Grant programs. (The Report of the Select Panel for the Promotion of Child Health was submitted to the United States Congress and the Secretary of Health and Human Services in 1981 in accordance with Public Law 95-626 which created the Panel.) Since my major professional experience has been with the MCH Block Grant programs, my testimony today will be primarily from the perspective of these programs.

Legislation creating the Title V Maternal and Child Health program was originally enacted in 1935 as part of the Social Security Act and was the basis for the legislation enacted last year which consolidated this program with other federal child health programs in a Maternal and Child Health Block Grant. The MCH Block Grant programs provide health services to pregnant women, infants and children who would not otherwise have access to needed health care because of their poverty or the lack of medical specialists and other health specialists in the areas in which they live. These programs provide such pregnant women and infants with prenatal and postnatal health care services, and they provide children with a variety of health care services. The services provided have a strong preventative thrust, and the Select Panel Report as well as other studies have found them to be highly successful in reducing infant mortality, morbidity, birth defects, mental retardation and other handicapping conditions in improving the health status of mothers and children.

The WIC program was enacted in 1972 and provides, as an adjunct to good health care, food and nutrition education to pregnant women, lactating mothers, infants and preschool children determined to be at special nutritional risk. Although WIC participants are not required to receive health services, WIC agencies must assure the availability of health services to participants. Since health services funded under the MCH Block Grant are used by many WIC participants, there is a close relationship between the WIC program and the

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*This statement was prepared with the assistance of my colleague, Professor Josephine Gittler, University of Iowa, College of Law.

MCH Block Grant programs. The Select Panel Report, like other reports, concluded that the WIC program had been effective in providing food and making health services available to those in need and that the program was having a beneficial impact upon the health status of mothers and children.

Turning to the President's Fiscal Year 1983 Budget proposals, I would first like to comment upon the impact of the proposal to reduce the total funding for the MCH Block Grant programs and the WIC program. I have been informed that the Administration proposes to consolidate these programs and to reduce the overall funding for the consolidated programs for Fiscal Year 1983 by about $300 million which would represent a decrease of about 25 percent. While the Administration's proposed consolidation of MCH Block Grant and WIC programs would undoubtedly effect some administrative cost-savings, funding reductions of the dimenions proposed would require substantial decreases in the services which these programs provide.

Reductions in funding for the MCH Block Grant programs in Fiscal Year 1983 would have a particularly devastating impact upon these programs inasmuch as they have already sustained very large cuts. The current level of funding for the MCH Block Grant for Fiscal Year 1982 is $347.5 million which represents an overall reduction of about 24 percent in the funds available for these programs when compared to their Fiscal Year 1981 funding level. The so-called "set-aside" programs which include regional hemophilia centers, genetics diseases projects and demonstration projects of regional and national significance have suffered an even larger percentage cut in funding for Fiscal Year 1982. The MCH Block Grant legislation specifies that these programs are to be funded on a discretionary basis by the Federal Office of Maternal and Child Health, and the funds available for this purpose for Fiscal Year 1982 were cut about 44 percent. It must also be borne in mind that the Title V Maternal and Child Health program which formed the basis for the MCH Block Grant has been small and relatively underfunded. Although federal funding for the Title V Maternal and Child Health program increased by 65 percent from 1972 to 1981, the increase has not kept pace with inflation, and the purchasing power of the 1981 funding was actually 27 percent less than for the 1972 funding. (See attached chart)

The impact of the Fiscal Year 1982 federal funding reductions for MCH Block Grant programs varies from state to state and is difficult to calculate with precision. However, a preliminary survey of these programs indicates that these funding reductions will mean an increase in infant mortality and morbidity; in some states, the reductions will mean that preventable birth defects, mental retardation and other handicapping conditions will not be prevented; in some states, these reductions will mean that serious health problems of mothers, infants and children will not be diagnosed or treated; and in some states these reductions will mean that many handicapped children will not receive needed hospitalization, surgical care, medical appliances, and other treatment services.

Although the WICprogram has received strong financial support from Congress and was not subject to the cuts in funding for Fiscal Year 1982 to which the MCH Block Grant programs were subject, the current funding level of the WIC program is not sufficient to bring all WIC benefits to unserved and underserved areas. Thus, the Select Panel found that WIC is not available to a significant percentage of those who need it and that a significant percentage of the nation's counties remain without WIC programs.

It should be noted at this point that one of the major conclusions of the Select Panel Report and other studies of the WIC program is that a better health services tie-in is needed. Many state and local WIC agencies have achieved the strong health service element that Congress intended but there are some areas in which health services are not made available to WIC participants. To a large extent, the source of this problem is the absence of the health resources which are needed to assure the availability of health services to WIC participants. The rapid expansion of WIC programs has simply exceeded the capacity of the Title V MCH Block Grant programs and other health care programs.

Since the Administration has not yet submitted legislation which would consolidate the WIC program with the MCH Block Grant programs, it is unclear whether states would be permitted under the proposed reconstituted block grant to transfer funds currently used for WIC food and nutrition services to MCH health services. The solution, however, to the problem of the unavailability of health services for some WIC participants due to a lack of health resources is not to transfer funds from WIC food and nutrition services to MCH health services.

The importance of both health services and food and nutrition services in improving the health status of mothers and children must be emphasized. For example, the effectiveness of prenatal health care in reducing illness or death in early infancy has been well documented, and the failure of the pregnant women to receive prenatal health services is closely associated with increased stillbirths, increased prematurity rates and increased newborn mortality. Likewise, it is well-established that women who suffer from poor nutrition during pregnancy are at a greater risk of having low-birth-weight infants which in turn is associated with infant mortality and morbidity. Accordingly, funding for the WIC program should be maintained at a minimum at its current level and funding for the MCH Block Grant should be increased so that health services can be made more widely available to WIC participants.

Turning next to the Administration's proposal to fold the WIC program into the MCH Block Grant in order to bring about better integration of and coordination between the WIC program and the MCH Block Grant programs, it must be stated at the outset that there appear to be a significant number of states in which these programs are already well integrated and coordinated. This is particularly the case where the programs are in the same administrative unit and where the same individual has administrative responsibility for not only the MCH Block Grant programs but also the WIC program.

Where there are problems of integration and coordination between the MCH Block Grant programs and the WIC program, they are often attributable to the WIC legislation or regulations or both. Better interface and cooperation between these programs could be promoted without their actual consolidation in a new block grant through modification of the WIC legislation and regulations. For example, a requirement in the WIC legislation that the WIC program be administered at the state level by the same agency which administers the MCH Block Grant programs would do more to promote a better relationship between these programs. Similarly, a requirement in the WIC legislation or regulations that the WIC plan materials be included in the state MCH report of intended expenditures which is called for by the MCH Block Grant legislation would promote a better relationship between these programs.

Finally I would like to submit that this is not a good time to make substantial changes in the MCH Block Grant legislation which was enacted only last year. This legislation and the accompanying funding reductions for MCH Block Grant programs necessitate major restructing of these programs and are producing major dislocations in these programs. States are still in the process of responding to and sorting out the problems which have arisen as a result of this legislation and the accompanying funding reductions, and these problems would be compounded by the proposed consolidation of the WIC program with the MCH Block Grant programs.

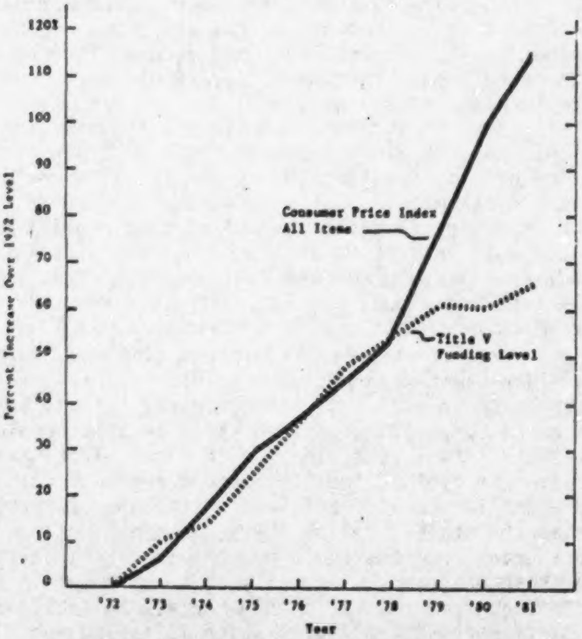
In conclusion I would like to state that in a very imperfect world the WIC program has been effective and is functioning well. To reduce its funding and to change its organization in the manner proposed by the Administration would seriously threaten its viability.

The nation can make no better investment than an investment in the MCH Block Grant programs and the WIC program because the future health of the nation depends upon the health services and the food and nutrition services provided today's mothers and children. I know that you will give very careful and thoughtful consideration to the Administration's proposals with respect to these programs.

TITLE V MATERNAL AND CHILD HEALTH PROGRAM

FEDERAL FUNDING LEVEL COMPARED WITH CONSUMER PRICE INDEX, ALL ITEMS

1972 -- 1981

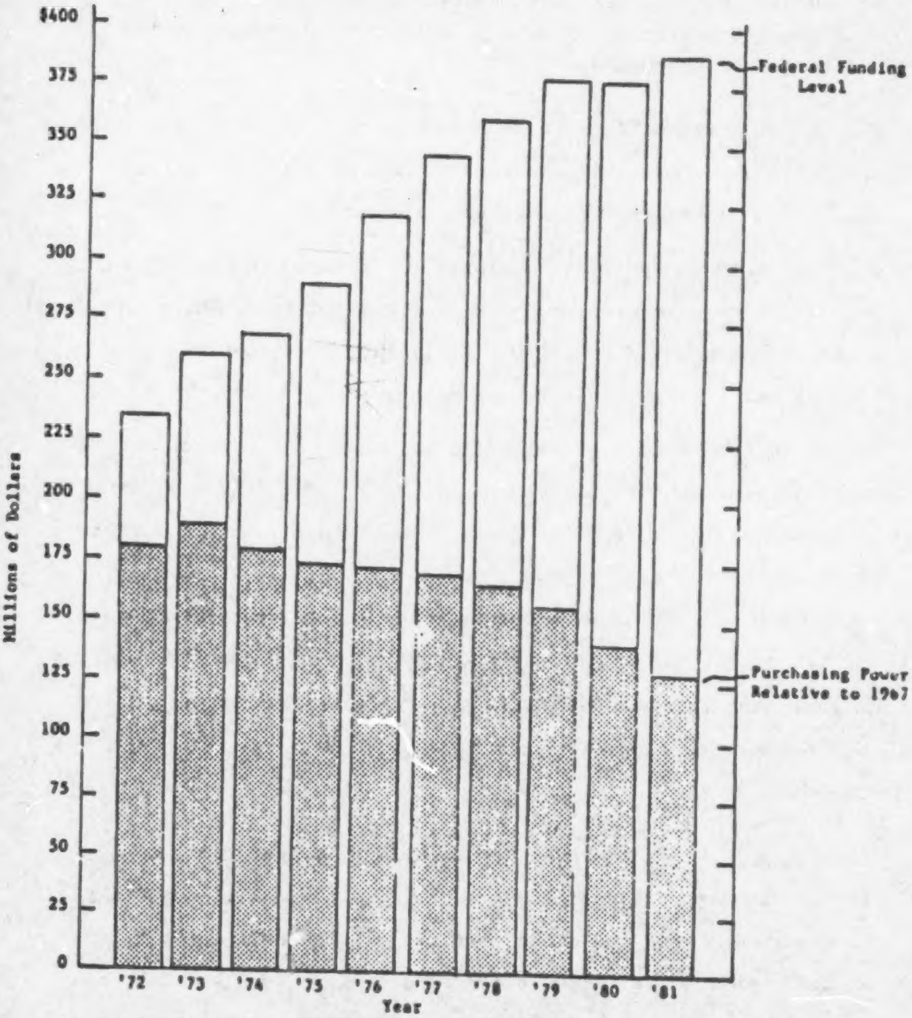


EXPLANATION: Federal funding for Title V kept up with the Consumer Price Index for all items until 1979. Since 1979 the federal funding level increases have fallen far below the level of the Consumer Price increases.

TITLE V MATERNAL AND CHILD HEALTH PROGRAM

FEDERAL FUNDING AND PURCHASING POWER*

1972 -- 1981



EXPLANATION: Although federal funding for Title V has increased by 65% from 1972 to 1981, the increase has not kept pace with inflation. The purchasing power of the 1981 funding is actually 27% less than for the 1972 funding.
*Based upon Consumer Price Index, Medical Care.

STATEMENT OF MARY L. ROBERTS, ON BEHALF OF THE CHILDREN'S FOUNDATION

This subcommittee is evaluating the desirability and impact of reducing funding for child nutrition programs. For your consideration, I would like to present this statement on the CHILD CARE FOOD PROGRAM.

The Child Care Food Program was authorized in 1968 and has done precisely what Congress mandated -- provide food and nutritious assistance to children of working mothers.

The design of the program is similar to that of the School Lunch Program, with reimbursement rates per meal, determined by the income of each child's family. Similarly, also, parents provide income affidavits as in the School Food Program.

The Child Care Food Program (CCFP) is one of the most effective support programs for children in day care. Not only does it provide assistance to help serve nutritionally adequate diets to preschoolers, but it encourages the development of better eating habits among these youngsters as well. Center operators and family day care providers who have not had extensive training in nutrition nor in quantity food service receive this training in this program to better meet the needs of the children in their care.

It is a myth that day care centers and homes are profitmaking institutions that can afford to absorb reductions in support to help purchase food and other services or to remain in operation at all. In 1979, a day care center's staff's weekly salary on the average was between $95 - 135. Of course, there are exceptions, but in some people's minds these exceptions have become the norm.

It is also a myth to believe that because young children eat less, that the overall expense for food is less. But, take a center with 75 or more children, feed them pure fruit or vegetable juice, fresh fruit at breakfast and lunch and a smaller meal, a snack, it all adds up to be quite costly. Also take a family day care provider earning about $6,000 a year, how is she/he expected to feed the day care children adequate meals and still count what little she/he makes as income.

To grasp the importance of CCFP, it is necessary to understand child care and what it means to the working poor. Without child care, it would be impossible for parents to work and strive to become self-sufficient. Parents cannot take their children to care is one thing it takes if you have preschool children. I strongly believe that if individual taxpayers were polled on whether or not they want their tax dollars to go toward supporting day care for preschoolers, they would probably vote 95 percent in the affirmative.

Where is child care provided? 85 percent of all child care is provided in family day care homes. Family day care programs are small day care programs in private homes. Generally, the children in family day care homes are children whose parents cannot afford or want to send them to larger day care settings.

Child Care Centers: There are over 32,000 centers in the U.S., including nurseries, full-day, half-day and Headstart programs. Centers:

(1) on the average are licensed for 55 children
(2) operate on schedules consistent with the needs of working parents
(3) operate at a minimum of nine hours per day and 51 weeks per year.

About half of the children in day care centers are three or four years old, the younger ones are in day care homes. A high percentage come from single and low-income families. More than half of their families have incomes below $6,000 per year.

The nutritional needs of preschoolers in day care must be considered because most of their waking hours and developmental years are spent there. Proper diets supply children with energy, maintain his body processes and repair, build new tissues as the child grows taller and gains weight and helps reduce the incidence of diseases (colds and viruses). The Child Care Food Program helps accomplish this by providing the financial and nutritional assistance day care operators need to purchase and prepare adequately nutritious meals.

Meals and snacks served in day care should meet one-third to one-half of the child's needs for the day. Because children eat small quantities of food, they need regularly scheduled snacks between meals. These snacks contribute to the child's food needs. In addition, because of the long period between noon and evening meals, p.m. snacks should be more substantial and are more important.

PREPARING FOR THE SCHOOL LUNCH PROGRAM: The CCFP offers the preparation youngsters need to enter elementary school. Because the program stresses the importance of nutritious meals and encourages the introduction of new foods to children, by the time they enter first grade, they have begun to learn the importance of the School Lunch Program. The CCFP should be viewed as a needed introduction to School Lunch, just as day care is an introduction to the academics. School food programs can, therefore, be perceived as a CONTINUATION of child development and the CHILD CARE FOOD PROGRAM.

It is much too late to become concerned about the nutritional well-being of our children and how they learn when they become six and seven years of age. Life-long habits and behavior are established during those formative years when the child is in day care.

EFFECTS OF CUTS ON DAY CARE PROGRAMS

Currently CCFP is providing financial assistance to 68,000 child care facilities serving 849,000 children. There are, however, five million children in day care. Last year the program was cut by 33 percent affecting some 700,000 children. Thousands of the centers participating in the program were cut by an additional 25 percent from the Title XX program, the principal funding for day care for low-income families. It has not been a year yet, but, the combined cuts in this and other programs resulted in:

- thousands of centers closing, resulting in an increase in unemployment ,
- many families losing child care ,
- centers having to increase child care fees making it practically uneconomical to work , and
- centers compromising the quality of their meal service because they have less money to purchase food.

ADDITIONAL CUTS IN CCFP

We have not heard sound justification for cutting CCFP further; we've only heard that 30% more of the program will be cut. Any additional cuts would be damaging and cause undue hardship to center staff who want to provide the best service to the children. I would hate to think that the 849,000 children benefiting from CCFP are being offered up as sacrificial lamb because our children's lives are more important than any amount of money. I urge this Committee to give our children in day care a chance to be nourished properly through the continued funding of the Child Care Food Program.

STATEMENT OF K STORCK, DIRECTOR OF INFORMATION SERVICES, THE CHILDREN'S FOUNDATION

Mr. Chairman, my name is K Storck and I am from The Children's Foundation, which was established in 1969 as a national educational and charitable organization to improve the quality of life and care for American children, particularly low-income children and their families.

I thank the Subcommittee for the opportunity to submit this statement on behalf of the millions of persons, primarily children, who are affected by the administration's proposal to cut back, once again, on funding and service levels of programs that have had such profound impact on their lives, namely the Supplemental Food Program for Women, Infants and Children; the School Breakfast Program; and Summer Feeding, Special Milk and Nutrition Education programs.

In more than a decade of involvement with the federal food assistance programs for poor and near-poor children and their families, we have not seen the kind of cutbacks in funding levels and services as in last year's budget. With the exception of the WIC Program, the child nutrition programs suffered budget slashes by more than a third. In some programs, such as Summer Feeding, Special Milk and Nutrition Education programs, the cuts totaled more than a half. These cutbacks occurred despite the fact that children make up the single largest groups of those Americans living below poverty level. One out of every six children is impoverished. Once again this year, the administration is seeking to reduce further these programs. At the same time, the administration is seeking to increase the national defense budget by 17 percent, and over a three-year period the nation's middle income and upper income citizens will enjoy one of the biggest tax break in decades.

The members of this Subcommittee are especially knowledgeable about issues and concerns surrounding the child nutrition programs.

You have been provided, both prior to and during this hearing, with facts and figures that show how much last year's cuts have hurt poor children nationwide. Because of the history of involvement in these issues, the members of this Subcommittee are in better position to understand what the effects of this year's proposed cuts and changes will be on these same children.

The summer food program suffered drastic cutbacks last year when more stringent eligibility criteria for sponsors and areas were enacted by Congress. The changes enacted last year is estimated to result in more than 50 percent cut in the program. The administration's reasoning for eliminating this program is twofold. One, it is argued that the program is riddled with fraud and abuse; and two, the Food Stamp Program should adequately provide food assistance to these kids and, therefore, the summer food program is duplicative and wasteful. At the same time, though, the administration has proposed drastic cuts in food stamps and wants to turn this program over to the states for complete control, which may mean the end of the Food Stamp Program in all states or, at the least, substantial reduction in benefits for all recipients.

Fraud and abuse in any federal program are wrong and should be eliminated when possible. But to deprive the innocent children who are now receiving summer food to correct wrongdoings by some program sponsors or administrators is also wrong. Poor children should not be made scapegoats.

The nutrition education and training program's funding level was cutback by more than two-thirds last year. The administration, once again, proposes to eliminate the funding for this small but valuable program and to leave the responsibility to state and localities that are now being faced with increasingly smaller funds. Although the program is left to state and local discretion, it is not realistic to expect them to take up the loss in revenue to continue funding these activities.

The Special Milk Program, too, is slated for elimination. Last year's cuts left only those schools not participating in any other federal food assistance programs eligible for special milk resulting in 80 percent reduction over the last two years. Ending this program means approximately 140,000 needy children will be cut off the program.

The proposal by the administration to convert school breakfast and child care feeding programs into a block grant is accompanied by at least a 25 percent cut from last year's funding levels. The rationale given for this proposed change is that CCFP is swamped by cumbersome rules and regulations and that the federal government should not be involved in providing breakfast to needy children, but that states should do so. The purpose of block grants is to leave the federal government out of setting priorities that are then made the responsibility of states and localities, whether or not they are willing or able to assume it.

The proposal to let states and localities make decisions on priorities is based on a theory that they are more in touch with their communities' needs. But behind this rhetoric is a vicious scenario. What occurs when you lump school breakfast and child care feeding program under a single block grant is that one group of needy and hungry children, the school age children, must compete with another group of needy and hungry children, the pre-school age children, for portions of ever-shrinking funds.

Under the block grant system, if a state decides to provide one group with more funds, say school breakfast, then the other group will have to do with less. How does anyone set priorities among different groups of needy children when it means taking food out of the mouths of one group to feed the other?

Folding the WIC and Commodity Supplemental Food programs into the Maternal and Child Health Block Grant means that these programs will have about 30 percent less funds to spend on nutritious food, if that much. The new block grant, which would be named Services for Women, Infants and Children Block Grant, will have a funding level of $1 billion. Last year, the funding level for the Maternal and Child Health Block Grant was $348 million, which leaves at most $652 million available for WIC and CSFP. But under the block grant concept, states may choose not to spend any or all of this money on WIC or CSFP, depending on what they perceive to be their priorities.

Last year both the WIC Program and CSFP fared relatively well during the axing of social service programs. Studies have shown WIC to be one program that is effective both in accomplishing its intent and in showing how it saves money in later medical costs. Congress illustrated its desire to maintain current participation level of 2.2 million nutritionally at risk pregnant women, infants and children in last year's budget allocations. This year, the program is once again slated for drastic cuts. It may also mean elimination in some states, if put into a block grant.

The concept behind supplemental feeding programs, such as WIC and CSFP, is to prevent a problem from occurring in the first place. Both WIC and CSFP are preventive health programs. Studies have shown that these programs actually reduce spending by preventing health problems from occuring later in life. But how does a state, or anybody for that matter, make long-range plans when there are many pregnant and lactating women, infants and children needing immediate medical attention?

President Reagan will not say he is against this nation's children, especially the poor and needy ones. But his administration's policies and figures speak a dismal tale.

Children cannot vote and voice their concerns. We at The Children's Foundation appeal to the members of this Subcommittee to keep in mind the interest of the children as you do battle with high inflation, rising unemployment and the monstrous budget deficit projections.

STATEMENT OF JANE WYNN, NATIONAL LEGISLATIVE CHAIRMAN, AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Mr. Chairman, Members of the Committee, my name is Jane Wynn. I am the National Legislative Chairman of the American School Food Service Association (the Association). Accompanying me this morning is Ms. Diane Lorentz, the Legislative Chairman for the Indiana School Food Service Association and a member of the Executive Board of the Association and Ms. Sarah Riley, Child Nutrition Program Director, Fayetteville, North Carolina.

We very much appreciate the opportunity to present to the Committee the Association's thoughts on the President's 1983 child nutrition budget:

1. The American School Food Service Association strongly supports the Administration's position of no further budget cuts for the National School Lunch Program.

The Omnibus Reconciliation Act of 1981 reduced federal support for child nutrition by approximately $1.5 billion; $1 billion from school lunch. Since its enactment last August approximately 1,100 schools have terminated participation in the National School Lunch Program (in addition to schools that have closed for other reasons). The more than 350,000 students in those schools have no federal guarantee of a nutritionally adequate meal. The students that cannot afford to buy the a la carte, snack type lunch provided in place of the National School Lunch Program, by and large go without.

In addition to "school drop outs", student participation has dropped dramatically due to lunch price increases. The approximately 30% increase in the cost of the school lunch has forced some 3 million children from the school lunch program.

When the Administration presented its 1982 budget last year it also listed school lunch as one of seven safety net programs. The Congress was told by the Administration that if their proposals were enacted it would not result in any schools being forced to terminate the program. Various experts testified that if the Administration's proposals were enacted, schools would be forced from the program for financial reasons. In an effort to keep lunch rooms open Congress moderated the severity of the Administration's proposed cuts, but even with that lessening of the cuts schools are in fact leaving the program and poor children are falling through the "net".

The National School Lunch Program was established in 1946 "as a measure of national security, to safeguard the health and well being of the nation's children". No federal mandate was enacted. The idea was to use only the incentive of federal grants-in-aid to encourage local communities to operate a national school lunch program. And it worked. Over 90% of all the schools participate in the National School Lunch Program.

As the federal monies disappear, however, so does the incentive for local school districts to participate in the National School Lunch Program. This year schools are receiving 21.5¢ in federal general assistance towards each lunch served (11¢ in USDA donated commodities and 10.5¢ in cash). The 21.5¢ represents a 40% cut in general assistance.

On October 27, 1981 Senator Helms, Senator Dole and other members of this Committee wrote to Mr. Jim Baker at the White House pointing out that "The 21.5¢ subsidy is not a subsidy directly to non-poor children, or the 'paying' child -- it is a grant-in-aid to the schools to help defray the cost based on total student participation, regardless of income." (letter attached).

It was, in great part, this letter that led to the Administration's decision not to seek additional lunch cuts.

The American School Food Service Association agrees that any further cuts in the National School Lunch Program would jeopardize its existence, transforming it from an effective nutrition program that serves all children into an ineffective welfare program.

As the nation's largest child nutrition program serving some 23 million children daily, approximately 1/2 of the students receiving a free or reduced price lunch, the program deserves the priority given it by the Administration.

2. The Association opposes the elimination of performance funding (entitlement status) for school lunch. While the Administration does not propose any school lunch cuts, per se, it does propose elimination of performance funding. This change while appearing technical in nature would make it impossible to plan at the local level and may affect the decision of some local school boards on whether or not to continue the program. There is approximately a $250 million short-fall in the 1983 school lunch budget as presented to the Congress. If the Congress eliminates the entitlement status of the lunch program there will be a $250 million budget cut built into the appropriation. In short, elimination of entitlement status negates the Administration's intent of not cutting school lunch.

3. The American School Food Service Association supports the Administration's continuation of a strong USDA commodity distribution program as part of the National School Lunch Act. USDA commodities, with bonus commodities, are increasingly important to the schools as a result of last year's budget cuts.

In addition, the commodity program is vital to fulfilling the agricultural purposes of the lunch program.

4. The American School Food Service Association opposes combining the school breakfast program and the child care program into a General Nutrition Assistance Grant at a 34% reduction in funding. The School Breakfast Program is the second largest child nutrition program serving some 4 million children daily. The overwhelming majority of the breakfasts served are to children who qualify for a free breakfast. Cutbacks in the School Breakfast Program will leave children currently participating in the program without breakfast.

At the same time the need for child care is increasing throughout the country in direct relationship to the increasing number of working mothers and single parent families. Decreased federal support for the child care food program will ultimately increase the cost of child care services and thereby reduce the incentive for many parents to work.

Further, Mr. Chairman, many of our concerns about "New Federalism" impact on our opposition to The General Nutrition Assistance Grant.

5. New Federalism would ultimately lead to a federal abdication of child nutrtion support and would result in most, if not all, programs being terminated. National nutrition programs developed because chidren had nutritional needs that states and local communities were not making an effort to meet. We recognize that many states and local governments are more sensitive today to child nutrtition than they were years ago. We are not confident however that states and local communities could afford to give

child nutrition the same priority that the federal government has given.

A child's need for a nutritionally adequate diet does not vary from state to state. Yet under the Administration's New Federalism a child living in a state with an adequate tax base would have a much greater chance of receiving a nutritionally adequate diet than a child growing up in a state with a poor tax base. Child nutrition must have a uniform national guarantee through federal programs, for with a better diet goes a better opportunity for a child to learn, grow and fulfill ones potential.

On December 2, 1969 President Richard Nixon, addressing the White House Conference on Food, Nutrition, and Health, noted:

> "Until this moment in our history as a nation, the central question has been whether we as a nation would accept the problem of malnourishment as a national responsibility . . .
>
> "Speaking for this administration, I not only accept the responsibility -- I claim the responsibility.
>
> "Malnourishment is a national concern because we are a nation that cares about its people, how they feel, how they live. We care whether they are well and whether they are happy.
>
> "First of all there is a moral imperative: Our national conscience requires it. We must because we can. We are the world's richest nation. We are the best education nation. We have an agricultural abundance that ranks as a miracle of the modern world. This Nation cannot long continue to live with its conscience if millions of its own people are unable to get an adequate diet.
>
> "Even in purely practical terms there are compelling considerations requiring this challenge to be met.
>
> "A child ill-fed is dulled in curiosity, lower in stamina, distracted from learning. A worker ill-fed is less productive, more often absent from work. The mounting cost of medical care for diet-related illnesses; remedial education required to overcome diet-related slowness in school; institutionalization and loss of full productive protential; all of these place a heavy economic burden on a society as a whole."

The Association agrees. And according to the testimony presented to this Committee on April 30, 1979 by a panel of medical experts "There are far fewer grossly malnourished people in this country today than there were ten years ago" as a direct result of our national effort. We, as a country, should think long and hard before we jeopardize these accomplishments in the name of a New Federalism.

6. The American School Food Service Association believes that the federal government should support a child nutrition effort during the summer months. This effort should be consistent with the approaches used during the school year. While the Association has voiced specific objections to the way the current summer feeding program is designed and administered, we are nonetheless supportive of using federal resources to meet the nutritional needs of children during the summer months.

7. The Special Supplemental Food Program for Women, Infants and Children (W.I.C.). The members of the American School Food Service Association do not, by and large, administer the WIC program. We are mindful however that medical studies show the WIC program to be effective in preventing infant and child malnutrition in those crucial years before the child enters school. We are therefore concerned about any decrease in funding for the WIC program or any restructuring that would adversely impact on the WIC program's ability to deliver services.

8. The Association supports the continuation of Nutrition Education and Training. At a minimum, this year's level of $5 million must be maintained. N.E.T. is an important effort that has never been allowed to meet its full potential. Five million dollars, while a relatively small amount, is a step in the right direction.

Mr. Chairman, we appreciate the opportunity to testify and would be pleased to elaborate on any point or answer any questions.

STATEMENT OF J. DIANE LORENTZ, LEGISLATIVE CHAIRMAN, INDIANA SCHOOL FOOD SERVICE ASSOCIATION, MIDEAST REGIONAL DIRECTOR, AMERICAN SCHOOL FOOD SERVICE ASSOCIATION

Members of the Senate Agriculture, Nutrition, and Forestry Committee, I welcome this opportunity to testify on behalf of the Food Service Administrators of Indiana, the American School Food Service Association and the students affected by Federal Budget cuts in the National School Lunch Program.

The Food Service Administrators, School Administrators and the students of Indiana are somewhat relieved by the news that the National School Lunch Program Section 4 funding for the paying child may not be targeted for budget cuts next year. Indiana would stand to lose a great amount of Federal assistance if the Section 4 monies should be cut because 75% of all students participating in the National School Lunch Program in Indiana are paying students.

The Section 4 assistance is currently 10.5¢ in cash assistance and 11¢ in commodities, and this represents a 40% reduction in Federal assistance for the paying child. The impact of this reduction is being felt in Indiana. Current data indicates that total participation in the National School Lunch Program has decreased 12-13% for the first three months of the current school year. When compared against a 4% decline in school enrollment for the State, the schools are showing an actual 8-9% decrease in across the board participation (approximately 80,000 students). (See Attachment)

The pattern of decline in participation in the industrial cities of Indiana indicates that the decrease is in the participation of the paying child. When comparing various percentages against enrollments for the reduced-price and free categories, the percentages vary only 1%, but the percentage for the paid student drops drastically. The school districts involved are losing a block of students who can no longer pay the increased price for the lunch and for one reason or another do not apply for the reduced-price meals. There is a general feeling that the 100% increase in the cost to the student who qualifies for reduced-price meals (from 20¢ to 40¢) has discouraged some families from applying. Many of the families who would fall within the reduced-price category have several children and the capital outlay of the additional 20¢ is too great. What are these students having for lunch? Some are not eating, some are borrowing from their friend's tray, some are buying cookies, and others are bringing a brown bag lunch from home. It is easier for a mother to take leftovers from the refrigerator than it is to come up with the 40¢ per day, per child, for the reduced-price meal.

The majority of the school districts within Indiana strive to provide programs for all students. Maintaining a level of Federal assistance for all meals is the key to the survival of these food service programs. Without assistance for the paying student, most local school authorities will be forced to drop the National School Lunch Program. These school districts will provide food service for students but the service may not have the nutritional basis and will prove to be discriminatory. The economically deprived students will not be able to afford the expensive new food service program and the school district will be neglecting the needs of all its students.

The National School Lunch Program has existed for many years as an integral part of the education system in Indiana. When the financial crunch of educational funding and the financial crunch of food service funding meet, the obvious priority of the school district will be toward educational funding. The citizens of Indiana recognize the need to lend support to a National effort to eliminate Federal deficits in the Budget. The currently proposed block grant to the States for breakfast programs and day care centers will not cause major problems in Indiana but the fear of food service administrators is that approving a block grant this year will ultimately lead to a block grant for National School Lunch. With the financial crunch in all areas of educational funding, I feel that there is a chance that the integrity of the lunch programs will be sacrificed.

Food Service Programs in Indiana now face other financial burdens which compound the impact of any Federal assistance cuts. The full-cost accounting system being used for food service includes a percentage for indirect contributions of the school district. Some of the areas included as indirect contributions are building use, utilities, secretarial services, custodial services and dining room supervision. This percentage is used on financial statements to provide all costs involved in providing a meal to the student. The school district can claim this percentage, or a portion of it, but most have not done so in the past. Now the food service budgets are receiving additional blows brought on by local districts claiming portions of this indirect cost. This is being accomplished by either direct claim to the monies or by returning the actual expense to the food service operation. This additional cost to the program will have to be passed on to the students and we can anticipate an impact on participation. The South Bend, Indiana, School Food Service operation anticipates returning $200,000.00 of indirect costs back to the South Bend School Corporation for 1982.

Another area of concern in Indiana is the equipment needed to maintain the food service operations in schools. The financial burden of replacing broken or wornout equipment is being placed on the food service operations. Gone are the days when there was a joint effort between the school district and the food service operation to maintain facilities. Many of these districts have never qualified for Federal assistance for equipment because the criteria was directly related to the percentage of free meals served in the district. The cost of equipment replacement will now become a cost to be passed on to the students, and it could also become a reason for a school district to close a school lunch program.

In summary, although the State of Indiana has only lost three school lunch programs to date due to the changes in funding, I am sure that this amount will drastically increase if we are forced to absorb more cuts in the future. The trend toward applying more costs from the school district to the lunch program funds, both indirect costs and equipment costs, and the effect of decreased participation due to higher lunch prices will threaten the existence of our National School Lunch Programs.

Indiana
Food Service
Comparative Data

Lafayette School Corporation - 1.3% decline in enrollment

Participation percentage of enrollment

Average daily participation	Nov. 1980	Nov. 1981
Total students served	4,566 (62.8%)	4,174 (58.1%)
Paid students	3,301 (45.4%)	2,971 (41.4%)
Reduced-price	250 (3.4%)	204 (2.8%)
Free	1,015 (14%)	999 (13.9%)
Lunch prices charged	Elem. .60	Elem. .75
	Sec. .70	Sec. .85

Anderson Community Schools - 3.6% decline in enrollment

Participation percentage of enrollment

Average daily participation	Nov. 1980	Nov. 1981
Total students served	10,706 (69.8%)	9,418 (63.7%)
Paid students	8,218 (53.6%)	6,917 (46.8%)
Reduced-price	280 (1.8%)	249 (1.7%)
Free	2,208 (14.4%)	2,252 (15.2%)
Lunch prices charged	Elem. .50	Elem. .70
	Sec. .60	Sec. .80

South Bend Community School Corp. - 7.5% decline in enrollment

Participation percentage of enrollment

Average daily participation	Nov. 1980	Nov. 1981
Total students served	16,524 (69%)	13,800 (62.4%)
Paid students	10,091 (42%)	8,602 (39%)
Reduced-price	1,149 (4.8%)	426 (2%)
Free	5,284 (22%)	4,772 (22%)
Lunch prices charged	Elem. .45	Elem. .50
	Sec. .60	Sec. .70

Penn-Harris-Madison School Corporation - .8 % decline in enrollment

Participation percentage of enrollment

Average daily participation	Nov. 1980	Nov. 1981
Total students served	4,522 (65.5%)	3,905 (57%)
Paid students	3,934 (57%)	3,406 (50%)
Reduced-price	171 (2.5%)	132 (2%)
Free	417 (6%)	367 (5%)
Lunch prices charged	Elem. .50	Elem. .60
	Sec. .60	Sec. .70

Gary Community School Corporation - 3% decline in enrollment

Participation percentage of enrollment

Average daily participation	Nov. 1980	Nov. 1981
Total students served	15,794 (49%)	13,483 (43%)
Paid students	7,182 (22%)	5,112 (16%)
Reduced-price	397 (1%)	223 (1%)
Free	8,114 (25%)	8,148 (26%)
Lunch prices charged	Elem. .55	Elem. .80
	Sec. .60	Sec. .85

STATEMENT OF SARA M. RILEY, DIRECTOR, CHILD NUTRITION PROGRAMS, FAYETTEVILLE CITY SCHOOLS, FAYETTEVILLE, NORTH CAROLINA

Mr. Chairman, and members of the subcommittee, I am Sara Riley, Director of Child Nutrition Programs for the city schools of Fayetteville, N. C. I am pleased to be here today to discuss the impact of the 1981 budget cuts in the Child Nutrition Programs and the probable consequences of additional cuts.

Congratulations to you for your vision in foreseeing the potential harmful effect of the administration's proposed cuts in Child Nutrition Programs for 1981. When presented the resultant problems for the local school units of the proposed 100% elimination of the subsidy to the paying child, you listened and understood that the result would be sharply rising school lunch prices with resultant high drop-out rates and potential program termination. Thus, needy and non-needy alike would have failed to receive Federal support. Thanks to your effort, Congress rejected the administration's proposal to terminate the subsidy to "paying" students but reduced the amount by 40%. You recognized it not as a subsidy to the non-poor or paying child but as a grant-in-aid to the schools to help defray the cost based on total student participation regardless of income.

Look with me at what has happened at the local school level, Fayetteville City Schools in particular, since the 30% cut in all Child Nutrition Programs. For comparison purposes, statistics for the months of October, 1980, and October, 1981, are used. Traditionally October has been used for comparisons because this is the point in time at which applications for free and reduced lunches have been processed, and transfers are at a minimum. We are an inner city unit with enrollment of 8,668 in 15 schools with 5,508 lunches and 1,730 breakfasts served daily. All schools participate in both programs. All schools are classified as severe needy which entitles them to a higher level of Federal support.

For your information:

LUNCH PRICES	10/81	10/80
Paid (grades 6-12)	.75	.65
Paid (grades 3-5)	.70	.60
Paid (K-2)	.65	.60
Reduced	.40	.10

BREAKFAST PRICES	10/81	10/80
Paid	.40	.30
Reduced	.30	.05

Lunches served students:	10/81	10/80
Average daily paid	1,917	2,247
Average daily reduced	380	548
Average daily free	3,211	3,920
Total Daily	5,508	6,715
Percent of loss		17.97%
Percent of loss after adjustment for loss in membership		15.67%

The following percentages have been adjusted for loss in school membership:

Loss in average daily paid lunches served	12.37%
Loss in average daily reduced lunches served	27.37%
Loss in average daily free lunches served	15.92%

Breakfasts served students:	10/81	10/80
Average daily paid	38	38
Average daily reduced	37	93
Average daily free	1,655	1,836
Total Daily	1,730	1,967
Percent of loss		12.05%
Percent of loss after adjustment for loss in membership		9.61%

The following percentages have been adjusted for loss in school membership:

Loss in average daily paid breakfasts served	none
Loss in average daily reduced breakfasts served	48.39%
Loss in average daily free breakfasts served	7.84%

Statistics show that over a period of years that for every cent increase in meal price 1% participation is lost. This is borne out by the approximate 12% loss in paying student participation. (10¢ increase for all students with the exception of 5¢ increase for K-2 students). Included in this number are some students who were classified as reduced price (10¢ for lunch) last year. For the students eligible for reduced price lunch the cost has increased by 30¢ (10¢ - 10/80; 40% - 10/81). The loss in this catagory is 27%.

The loss in free meals served is attributed to the smaller number of students who were approved for free meals in October, 1981. In my opinion and that of the principals in the Fayetteville City Schools, it is not that we have more students whose family incomes exceed 185% of poverty than last year; rather, it is attributed to the more detailed information required on the application form currently in use. Those of us who are responsible for administering the program have no quarrel with the requirement for the social security numbers of all adult family members, for certainly this encourages the honest listing of total family income.

Students denied free or reduced price meals due to incomplete applications were most often found to be eligible upon investigation by a principal or other school authority. There are parents who, because of education deficiencies, are intimidated by the form.

	10/81	10/80
Percent of membership approved for free meals	41.83%	48.15%
Percent of membership approved for reduced cost meals	7.33%	7.86%
Percent of students in attendance eligible for free meals participating	93.82%	93.96%
Percent of students in attendance eligible for reduced cost meals participating	63.21%	81.07%

Of the children who are eligible to be served free the percent of participation in the program is almost identical to last year - 94%. But of the children who are eligible to receive reduced meals the percent of those participating in the program has dropped by 18%.

In looking at these statistics we asked ourselves why the decrease in participation of reduced price students was so much greater than the decrease in participation of both free and paying students. In trying to answer the question "why" we enlisted the help of principals, cafeteria managers, and cashiers. We could not come up with an exact answer because we did not want at any time to invade the privacy of the children and parents, but we have made several significant observations.

In one K-2 school, of the 37 children approved for reduced price meals, approximately 38% bring their lunch from home and seldom buy the 40¢ lunch. It is the observation of the principal, teachers, and cafeteria personnel that some of these children have a nutritionally adequate lunch, supplementing their home-packed lunch with school-purchased milk. Others of this number bring lunches that are far from meeting 1/3 of the daily nutrients required for good health (Type A school Lunches are planned to meet 1/3 of the daily nutrient requirements). It is true that many of the inadequate lunches have cost 40¢ or more to pack, due to the number of salty and sweet snack foods that are high in calories and low in nutrients. There are other lunches that have apparently cost less than 40¢, one dry unpalatable sandwich without a beverage. Twenty-four percent of the children in this school who are approved for reduced lunch almost always eat the school lunch but seldom pay. Days that they have 40¢ for lunch appear to be days immediately following pay day. Other days they come without lunch or money. Certainly, we are not going to allow them to go all day without eating.

Therefore, they are fed and carried as charges and attempts are made later to collect from parents with limited success. The school cited is typical of what we found in other schools with the percent of those seldom taking advantage of the reduced price lunch varying from 14% to 40%. Very obviously, a number of these children have fallen through the safety net.

As long as we look at the 24% who frequently come to school without money or lunch as statistics, the children remain faceless and we are little affected by it. But to those of us who are involved in administering the Child Nutrition Programs, these children are very real.

There is the case of the mother who sent her child to school repeatedly without lunch or money (40¢). The child was fed and a small portion of the cost was occasionally collected from the mother. The principal's concern was so great that he was frequently in touch with her. He actually felt relief upon learning that the mother had lost her job, and as a result the child was entitled to free meals. There are other cases that have not been as easily resolved. For instance, there is the case of the grandmother who upon the death of her daughter assumed the responsibility of rearing three grandchildren, one enrolled in a K-2 school, one enrolled in a 3-5 school and one enrolled in a 6-8 middle school. The income of the grandmother plus social security received for the children exceeds the amount allowed for free meals but does qualify them for reduced cost meals. The grandmother feels that her income should be excluded before the determination is made. Her approach to the problem is to send the children to school without money or lunch with the expectation that someone will see that they are fed. All of us will agree that the grandmother should budget her limited resources so that the basic needs of the children, including lunches, are met. Before we are too critical let us remind ourselves that we have not walked in her shoes. We do not know what fixed expenses she had prior to assuming the responsibility for these children. The Child Nutrition administrative staff does not include a social worker.

In fact, there has been a 50% reduction this year in the number of social workers for the entire school system. Therefore, the school is not staffed to deal with the grandparent's problem. The schools' responsibility is the education of the child, and a hungry child cannot learn.

What would you do if you were where I am? You would feed these hungry children, but how? This school year we have cut labor hours by 10%, serving some paying children less than a complete lunch by offering a' la carte items as reasonably priced as possible. With careful management and sheer determination we have come to the end of December operating in the black. We may not be as fortunate the last half of the year. Reimbursement will not increase in January to offset inflatation as in previous years and further labor cuts are not possible without putting the entire program in jeopardy. To lower the quality of the program further would be to negate 30 plus years of striving to meet the nutritional needs of all children enrolled in Fayetteville City Schools.

The administration repeatedly suggests that state and local revenues and charitable contributions replace the loss in Federal funds to support social programs. Certainly this sounds plausible. Being uncertain as to our ability to operate in the black for this year, we have investigated locally the administration's recommendations. We found that both state and local budgets are strained as never before due to the worsening financial situation and the loss of Federal aid for many vital programs. The figures released at the end of December show Fayetteville with an unemployment rate of 9.2%. State unemployment rate for week ending January 23 was 7.6%. A quick check with churches and other charitable organizations shows littl enthusiasm for helping to support free and reduced price school meals. My own church, Hay Street Methodist, one of the larger older churches in Fayetteville, is having a hard time meeting its present budget due to increasing costs of fixed expenses. As is true of all churches, it also has its own unique programs to support. Organizations, such as Salvation Army and Urban Ministries, tell me they see no way they can pick up the cost of student meals no longer funded by the government. An indication of the difficulty of relying on contributions from individuals and business organizations is evident from our experience with a local businessman. For 20 years he has funded the serving of milk to all students enrolled in the Hillsboro Street School, a school for retarded children. This year he has informed the school system that he can no longer do this.*

Looking back 15 or 20 years ago when organizations and individuals supported the programs, we remember the value judgements that had to be made as to which of two children was more deserving when there was money for only half of those who requested assistance. Upon what standard does one make the decision: The knowledge of the moral standards of the parents, sympathy for an individual parent, the child with more personal appeal, or race of the child?

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* Contribution was for the difference in dealer's price and the Federal reimbursement.

Do we want to go back to this dilemma? I think not.

Today we are told that industry, civic organizations, churches, and neighbors can best meet the needs of citizens through charitable contributions. This suggestion is simplistic and steeped in nostalgia. In the earlier days of our nation security was attained through the interdependence of members of families upon each other and of the citizens within a small community upon each other. Today the complexities of modern society make this simple solution unrealistic. If, as our Constitution tells us, our federal government was established among other things "to promote the general welfare," it becomes the responsibility of the nation as a whole to be concerned for each individual who composes it. Is it not a more noble contribution when it encompasses all the needy of our country - the unloved as well as the loved, the undeserving as well as those we consider deserving - the faceless people who need our help? Is there a greater exercise of citizenship?

Our children are our future. Is not support of Child Nutrition Programs "to promote the general welfare" a valid function of the Federal government?

STATEMENT OF DOROTHY VANEGMOND-PANNELL, DIRECTOR, FOOD SERVICES, FAIRFAX COUNTY, VIRGINIA PUBLIC SCHOOLS

Mr. Chairman and Members of the Subcommittee:

I am Dorothy VanEgmond-Pannell, Director of Food Services, Fairfax County Public Schools, Virginia. We serve food each day in 168 schools and centers, 21 day cares/private schools, 15 head start programs, and 9 senior citizen nutrition programs. During the summer we provide lunch at 21 sites. The School Lunch Program is the backbone of our operation and without it the prices would be considerably higher for all of the other programs.

I appreciate the opportunity today to express my concerns to you, report the effects of FY82 Federal budget cuts on our programs, and discuss alternatives.

CONCERNS/EFFECTS

Basically I am concerned this country will revert to where it was nutritionally in the early Forties and late Sixties.

As a result of Federal budget cuts, districts are dropping out of the School Lunch Program. The School Lunch Program has suffered a devastating blow. Federal cuts have meant a loss of 51% of Fairfax's Federal funding; a 25% loss nationwide. Fairfax County's is as great because 92% are paying students. School districts with high percentages of free and reduced lose much less. Because of reduced funding and increased cost, we raised the price of lunch 15¢ (Exhibit 1) and breakfast 20¢, while some school districts had to raise the prices as much as 40¢. Houston, Texas, had to raise the price of their elementary school lunch from 65¢ to 95¢. These price increases have meant a drop in participation; for Fairfax a loss of 19%, or nearly 20,000 students a day (Exhibit 2). We've been forced to discontinue 23 breakfast programs and reduce labor cost by 13%, meaning nearly 90 fewer positions.

Probably no single budget cut has had as much direct impact on so many American people nationwide as have the cuts to the Child Nutrition Programs. Another budget cut this year would destroy most school lunch programs.

Regarding FY83 budget, it is a relief to see the budget contains one positive thing--no cut in the School Lunch Program. There are cuts in the Summer Feeding and Child Care Programs at a time when they are needed the most. More and more mothers have to work outside the home year around. And we know, summers can be a time of unrest when children are hungry and are left to roam the streets.

In the case of the Child Care Program, if a mother can not afford the child care costs (great share is for food), she may end up staying home and drawing welfare. In the long run, every dollar we spend feeding hungry people can save government in payment of sick care, lower productivity, and care of disabled.

The Block Grant proposed in the Federal Budget for Child Care and Summer Feeding, will next year probably include the School Lunch Program. It is my fear, that at first these programs will carry a tag for child nutrition, and then the tag will be dropped. This is an area of great concern to me.

Thirty-six years ago the National School Lunch Program was made a law. That was following a report that 40% of America's young men were unfit for military service (Exhibit 3)*. One-third of those rejected were because of nutritional deficiency--lack of food or improper food. Child Nutrition Programs have made the difference in this country, as it has in Japan where today's teenagers are averaging four inches taller and 20 pounds heavier than their grandparents. In these 36 years, Child Nutrition has done much to eliminate gross malnutrition, which causes adverse health and social problems, such as anemia, lower resistance to infection, stunted growth and inability to learn and develop.

In your role of caring for this country, please assure the health and education of its people--all people--is just as much a concern of Federal Government as is its defense against the outside enemy.

In your position representing your state on a national level, you have an overview of what happens, when and why. I'm sure you see the value of improved nutrition to the nation. Can we be sure that the govenment of all 50 states will see that value? I hope so; however, even families, who love their children dearly, will reduce the food budget when money is short and often risk the health of their children. And sometimes it may even cost them far more in the long run.

I've heard it said, Fairfax County is affluent and doesn't need their children's lunches subsidized. The young parents of most of our children that are in day cares and schools tend not to be the wealthy residents, but rather the ones spending more than 1/3 of their salary for housing and trying to keep their heads above water. Also, consider that the same poverty income guidelines are used in all 50 states. I think you will agree that the cost of living in Fairfax County is considerably higher than it is ,say, in a small Southern town.

May I plead with you to look at alternatives to the block grant, or at least postpone granting Child Nutrition Programs until you have the results of the USDA Study of Alternatives to the Commodity Program. One of the alternatives being studied is the Letter-of-Credit, which still has some Federal control in determining that the money is spent for domestically grown food for child nutrition programs. Not only will it still provide nutritious food to all children during their growing years, but it aids the farmer when a good crop year means more than market demands. At the same time, the Letter-of-Credit has the potential of providing flexibility to the local level and business within the state. This Letter-of-Credit alternative has implications for other programs. It may be the way for all Child Nutrition Programs to be implemented in the future.

I want to commend you on some steps you took last summer in the right direction for Child Nutrition: (1) extending offer versus served to elementary schools has reduced waste and provided more flexibility, (2) requiring the Social Security numbers on the free and reduced price meal applications has helped discourage fraud.

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*Exhibit 3 not reproducible.

In closing, we need your support and encouragement. We have got to have Federal funding for all children in order to provide meals for the poor. Let's not forget the history of Child Nutrition and why there was a need in 1946 for such a program: 1) foremost being relief for the farm surplus, 2) health of the potential military forces, and 3) health and well being of our nation's children.

EXHIBIT 1

PROJECTED COST PER LUNCH IN FAIRFAX COUNTY, VA, SEPTEMBER 1982

COST FACTOR		LUNCH
Food		$ .8228
Labor		.5756
Supplies		.0886
Equipment Depreciation		.0175
Indirect		.0630
	TOTAL	$1.5675

PROJECTED INCOME FOR A LUNCH IN FAIRFAX COUNTY VIRGINIA AS PROPOSED IN BUDGET SEPTEMBER 1982

	PAID		REDUCED	FREE
Source	Elem	Sec		
Student	$ .75	$ .85	$ .40	$-0-
Federal*				
Cash	.1125	.1125	.1125	.1125
Donated Foods	.1175	.1175	.1175	.1175
Bonus Foods	.02	.02	.02	.02
State of Virginia	.053	.053	.053	.053
TOTAL	$1.053	1.153	1.3555	1.3555

*Subject to 1982 Congressional action.

EXHIBIT 2

COMPARISON OF PARTICIPATION IN THE SCHOOL LUNCH PROGRAM IN FAIRFAX COUNTY, VIRGINIA

MONTH/YEAR	PRICE CHARGED	AVERAGE PARTICIPATION	PERCENTAGE OF ATTENDANCE
Dec. 1974	.40/.50	65,980	55.8%
Dec. 1975	.40/.50	66,948	55.9%
Feb. 1976	.50/.60	57,550 Note Price Increase	48.7%
Dec. 1976	.50/.60	63,109	53.2%
Dec. 1977	.50/.60	67,103	57.7%
Dec. 1978	.60/.70	70,770	61.3%
Dec. 1979	.60/.70	72,570	63.9%
Jan. 1981	.60/.70	72,644	64.3%
Jan. 1982	.75/.85	52,773	47.9%

STATEMENT OF ROBERT E. OHLZEN, MANAGER OF FOOD AND NUTRITION PROGRAMS, ILLINOIS STATE BOARD OF EDUCATION

I am Robert E. Ohlzen, Manager of Food and Nutrition Programs for the Illinois State Board of Education. I wish to thank the Chairman, Senator Dole, and the members of this Committee for the opportunity to present this testimony pertaining to the impact of the FY 1982 program changes and budget cuts, as well as the administration's budget proposals for FY 1983.

Although the request to testify referred specifically to the Summer Feeding and Special Milk Programs, I have taken the liberty to include some of the effects that have already occurred and those we foresee as occurring in the Child Care Food Program, School Breakfast and National School Lunch Program if the proposed FY 1983 budget is accepted.

Proposed Legislation for FY 1983

1. No funding for the Nutrition Education and Training program (NET). $5 million in savings.
2. Eliminate Department of Defense overseas schools from participation in the programs. $1.1 million savings in Fiscal Year 1983.
3. Transfer funding for program operations in Guam, the Commonwealth of the Northern Mariana Islands, American Samoa and the Virgin Islands to a block grant that will give each of the territories broad flexibility to fashion food assistance programs that serve the special needs of their residents. $11.7 million reduction in costs of the Child Nutrition Programs in Fiscal Year 1983.
4. Institute a General Nutrition Assistance grant in place of the School Breakfast and Child Care Food Programs. This will allow the States greater flexibility to set their own priorities in providing food assistance to children. $246.4 million savings in Fiscal Year 1983.
5. Eliminate the Summer Food Service Program. $63.6 million savings in Fiscal Year 1983.
6. Lower State Administrative Expenses to reflect the institution of the grant for General Nutrition Assistance.
7. Elimination of the Special Milk Program. $11.6 million savings in Fiscal Year 1983 (excluding $.7 million cost reduction resulting from the territorial grant proposal.)

In the proposed FY 1983 budget, we view items 4, 5, 6, and 7 as critical to the health and well-being of our nation's children. However, there is one portion of the proposed budget pertaining to item 4 which we feel needs clarification. One copy of the budget we reviewed, when referring to the General Nutrition Assistance Grant, states "excluding the family day care centers." What does this mean in terms of the grant and the program funding?

I. SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

1. Summer of 1981 Operations:

In Illinois during the summer of 1981, a daily average of over 55,000 children were provided meals authorized under the Summer Food Service Program for Children. These children were served at 778 sites by 87 sponsors throughout our State. The cost of this program during 1981 in Illinois was $2,900,000.

2. Estimated 1982 Operations:

The 1982 regulations will currently allow an estimated 49 sponsors to operate, providing meals to approximately 50,000 children daily. This estimated participation takes into account the effect of poor economic conditions in many areas of our State which may increase participation in those remaining eligible sponsors. Illinois is fifth in the nation in unemployment.

The FY 1982 regulations require 50% of the children in the area served to be eligible for free and reduced price meals. This change from prior years' requirement of 33 1/3% further tightens the eligibility criteria for participation.

3. Migrant Program:

During the summer season, the Illinois State Board of Education funds nineteen summer school programs. Most of these grants were awarded to school districts. Five are granted to private agencies sponsored by different churches or groups.

Holy Cross Mendota
Migrant Project*
100 Jefferson
Mendota, Illinois 61342

Grace Migrant Day Care
Center (Grace Lutheran)
3300 Euclid
South Chicago Heights,
Illinois 60411

Community Action Agency
for McHenry County
1100 North Division
Harvard, Illinois 60033

Our Lady of Good Council
School
621 Talma
Aurora, Illinois 60505

Centro Tezcatlipoca (Presbyterian Church)
13715 - 134th Avenue West
Taylor Ridge, Illinois 61284

*--A continuation of the Holy Cross School regular term program.

The school districts apply for a continuation of their National School Lunch Program. The others have to depend on the Summer Food Service Program for Children.

Highland Park School District does not have a National School Lunch Program and depends on the Summer Food Service Program for Children.

The reduction in funding and elimination of the Summer Food Service Program for Children would affect 462 migrant children of school ages that participate in the summer migrant education program, plus the children served by sites sponsored by the Department of Children and Family Services.

4. Program Operation Accountability:

We do not disagree that in past summers there were problems with program sponsors whose reasons for sponsoring the program were other than to benefit the children. We feel that the components of the 1982 final program regulations limiting sponsors to political subdivisions of government, accredited schools and universities will eliminate the overwhelming majority of prior years' deficiencies.

The Summer Food Service Program for Children, like the School Lunch Program, provides meals directly to needy children. Unlike many assistance programs, this program assures direct cost benefits to the recipient. With the 1982 program regulations for program eligibility, few if any meals will be provided to non-needy children.

5. Effect of the Program Termination:

The national level of unemployment is high. To terminate the Summer Food Service Program for Children, would result in the termination of at least 350 jobs in our State alone.

Approximately 50,000 children, in the deepest pockets of poverty in our State, will be without meals during the summer months. Where is the administration's safety net?

II. SPECIAL MILK PROGRAM

1. Current Status

The passage of P.L. 97-35 canceled the eligibility for participation in this program for all schools which have any other United States Department of Agriculture funded food service program. This change in eligibility has resulted in, by comparing September of 1980 to 1981, a decline of 8 million half-pints or 400,000 pounds of fresh fluid milk a month.

2. Cost Effect of P.L. 97-35

The Special Milk Program did provide a minimum of 5¢ federal subsidy for each half-pint of milk sold to an eligible student in a school with food service. When students consumed 20 half-pints, it resulted in one dollar of subsidy. Now that the students no longer consume this fluid milk, it reverts to the price support program and the 20 half-pints are converted into one pound of Processed American Cheese at $1.46 per pound. Appendix 1 details this finding.

3. Effect of FY 1983 Budget Proposal

If this program is eliminated, as compared to FY 1981, over 110 million half-pints of milk or 5,500,000 pounds of fresh fluid milk will no longer be subsidized. Again, with the price support program, this milk will be purchased and converted to cheese or similar dairy products.

Is the elimination of the Special Milk Program cost effective?

We don't feel it is. Further, it appears to be more expensive to the Federal Government to increase the cost of the price support program than to continue the Special Milk Program.

4. Recommendations

Reinstate the Special Milk Program at a flat rate of 5¢ cost assistance for each half-pint served to a school-age child.

III. NATIONAL SCHOOL LUNCH

1. Effect of Reduced Reimbursements on Participation

To fully comprehend the ramifications of the September 1981 reduction in the reimbursements for the National School Lunch Act, one must become cognizant of the variation in social and economic status in our State, for Illinois is a very diversified State. Our population ranges from the industrial Northeast with all the problems of Chicago and the other key urban centers to the coal mining communities of Southern Illinois, and yet a large portion of our land mass is devoted to agriculture. Therefore, to consider reduction in the assistance to the paying child under the guise that all paying children can well afford the full cost of lunch is a misconception. Where the reductions in the basic reimbursement are really hurting is the working poor. A substantial percentage of the paying students participating in the National School Lunch Program are from families where the total income does not materially exceed the present income eligibility guidelines for reduced price lunches. To assume that all families with income above the reduced price scale can afford to pay the full cost of school lunches is not borne out. Student lunch participation in Illinois schools during October 1981 has dropped in excess of 259,000 lunches per day, or a 26.1% decline compared to October of 1980. Of this decline in participation, 75% of the decline was in the fully paid meals. Appendix 2 details participation.

2. Decline in Number of Schools

The combination of declining enrollment, obsolete school buildings, etc., has resulted in 202 fewer schools in the program during the comparative 1981, 1982 school years. Of these 202 schools, 76 (63 public and 13 private schools), dropped the program for reasons directly reflecting upon recent legislative changes. The remaining 126 schools have closed for consolidation, etc. The significant fact is that there are 202 school lunchrooms that are no longer in operation and it is noteworthy that, with Illinois' mandatory free lunch program, every public school is Illinois must offer a free lunch to eligible needy children. The National School Lunch Program per se cannot be dropped in Illinois by a school district just to get out of the lunchroom business.

3. Lunch Prices

The average price increase in the public schools from 1981 to 1982 was 28¢ and in the private schools, 27¢. The range of prices between the public and private schools is not a particularly significant factor. However, it is worthy to note that the maximum price increase reported to date for a school lunch is $1.20 in the public schools and $1.35 in the private schools.

The highest price presently charged for a school lunch is $1.50 with the average price in the public schools at 79¢ for lunch and in the private schools, 83¢. This compares to 59¢ average in 1981 in the public schools and 65 cents in the private schools. However, the one variable in this data of 1981-82 average prices is that the Chicago Public Schools, with 605 schools, do not reflect as yet a price increase for the 1981-82 school year. This may be due to the fact that, of all 264,000 of their reimbursable lunches served daily, over 90% are free or reduced price.

4. Program Operation

Statistics alone cannot tell the real ramifications and reactions to the substantially reduced Federal assistance to this program. Over the past decade, school officials have been encouraged to build and expand school food service facilities to encourage participation, create breakfast programs, and provide sound, nutritious meals to America's school children. Now they feel betrayed. Almost overnight, cash and donated food assistance are substantially reduced. This action cannot help but have a strong inference that there is no longer concern in the Federal government that we have well-nourished children.

From the previously documented statistics, it is quite evident that there is a substantial decline in participation.

This decline in participation has put the school lunch program in a situation very similar to that of America's automobile manufacturers. Schools have fixed costs which are there every day regardless of the number of meals served. The costs of heat, light, and janitorial expenses are there. School kitchens are basically commercial kitchens and it takes the same power and cleanup time when you use a 60-quart mixer or a convection oven to prepare 300 meals as it does for 500. And this same problem is multiplied by every piece of quantity food service equipment in use in the schools.

The declining participation can only have a pyramid effect on costs. There is a point of no return in the amount of labor which can be reduced and, with the declining patronage of the paying child, it becomes a point of where a lower volume of meals prepared daily is going to result in a higher cost per meal which in turn is going to place more schools into the category of eligibility for additional Federal reimbursement for all lunches.

5. Potential Additional Cost to Federal Government

The present scale of reimbursement for the free and reduced price meals has two levels of reimbursement, schools with less than 60% of lunches served as free and/or reduced price, the other 60% or more of lunches served are free and/or reduced price. The difference is an increased reimbursement of 2¢ for every lunch served - paid, free, and reduced. What is happening is, as the number of paid meals declines, a greater number of programs become eligible for the additional 2¢ per meal reimbursement. In September 1980, 42% of all lunches served were free or reduced price. In September 1981, 49.1% of all lunches served were free or reduced price; in October 1981, it increased to 56%; in November 1981, 55%.

The overall long-term effect will be to increase the amount of Federal reimbursement.

6. School Food Service Personnel

Another ramification, and a very significant one, of the effect of declining participation is on the economic status of not only the State of Illinois but also on the Nation. It is a very conservative estimate that in the 1981 school year there were over 20,000 people employed in the Illinois school lunch programs. Based on our discussions with many school food service directors and business managers, we believe it is a conservative estimate that they have reduced their work staff by 20%. This means that we have laid off, or not re-hired or replaced, almost 4,000 people, adding to Illinois' already staggering unemployment level, keeping in mind that Illinois is the fifth highest state in the Nation in the level of unemployment.

7. Conclusions

A direct reflection of the reduction in Federal reimbursement for the fully paid lunches has been a daily average decline in participation of 259,000 students in October of 1981.

The increased cost of school lunches has been more than many of the working poor families can afford.

The combined Federal budget reductions affecting education have been so extensive that assistance to specific programs from the local level is no longer possible. Therefore, prices for lunches had to be increased to reflect full cost recovery.

The average statewide increase, excluding the Chicago Board of Education, was 28¢ in the public schools and 27¢ in the private schools. The average lunch price now is 79¢ in the public and 83¢ in the private schools.

As a greater percentage of total lunches served are free or reduced price, up 9% from October of 1980 to 1981, the number of schools eligible for an additional 2¢ reimbursement for all lunches served increases.

IV. CHILD CARE FOOD PROGRAM

1. Current Status

The service rendered by the non-profit Child Care Centers is primarily that of providing a low-cost facility whereby working parents can be assured safe care for their children. This program has two separate components, Child Day Care Centers and Family Day Care Homes.

The greatest growth during 1981 in this program was in the Family Day Care Home sector. The number of homes participating increased from 1422 in 1980 to 3,894 in 1981. Following are the program statistics for FY-1981:

Child Care Centers		Day Care Homes	
Sponsors:	341	Sponsors	10
Enrollment	41,636	Average Daily Participation	1,700
Outside-School-Hours Sites	98	Home Sites	3,894
Child Care Centers Sites	649		

	Payments to Child Care Centers FY 81	Payments to Day Care Homes FY 81
Reimbursement	$7,313,843.61	$6,564,822.58
Cash in lieu of Commodities	735,957.72	
Administration		702,663.48
Grand Total Both Programs FY 1981		$15,317,287.39

2. Effect of FY 1982 Budget Reduction

The Illinois Department of Children and Family Services reported that there were 30 percent funding reductions in Title XX in Fiscal Year 82 for employee related day care. This is a program that allows a low-income family member to work and use Title XX funds for tuition for day care services for their children. This reduction resulted in 1,300 slots (tuition for child care) being no longer available.

Many day care centers affected by the loss of slots were in low income areas and could not replace slots by the enrollment of children from higher income families. Following are some day care programs that had to reduce or terminate their services:

City of East St. Louis - closed

Bloomingdale Township Child Care Service - closed

Kankakeeland Community Action Day Care - closed

Family Service Center, Springfield - Program reduced by one teacher

Rock Island School District - Program reduced by one center

3. Effect of FY 1983 Budget Proposal

The proposed General Nutrition Assistance Grant basically provides for 20% reduction in program funding. This in turn can only result in an increase in child care cost of 20%.

This program assists the lower income segment of our population and the working single parent. Will this reduction really achieve a saving or will the increased child care cost push the marginal working parent on to welfare, thereby reducing tax revenue and increasing welfare costs?

V. LOWER STATE ADMINISTRATIVE EXPENSE

1. Current Status

The present FY 1982 administrative expense allocation for the Child Care Food Program in Illinois is approximately $220,000 and $90,000 for auditing. Program sites in Illinois received 14.3 million dollars in reimbursements last year.

2. Effect of FY 1983 Budget Proposal

A twenty percent (20%) reduction in reimbursement will have little effect on the cost of administrating the program. There is no proposed change in program regulations to relieve the State Agency of administrative accountability.

3. Recommendations

Provide the one and a half percent (1 1/2%) for combined program disbursement and fair market value of food provided under the Food Distribution Program as the basic allocation of the State Agencies.

APPENDIX #1

Let's look at the logic of this cost-saving program of eliminating the 5¢ per half-pint subsidy on fresh fluid milk to eligible students. When students consumed 20 half-pints of fluid milk, the resulting cost of the Federal subsidy was $1.00. Now that the students no longer consume this fluid milk, it is our understanding that the milk would be eligible for the price support program. Processed American Cheese is one of the resulting foods.

Cost to Federal Government for Consumption of
20 half-pints or 10 Pounds of Fluid Milk

Consumed in the Special Milk Program	Consumed in the Price Support Program
$1.00	$1.46

The United States Department of Agriculture's fair market value price for Processed American Cheese is currently given to the states at $1.46 a pound. This, we assume, is the approximate price support or purchased figure. It takes 20 half-pints or 10 pounds of fluid milk to make 1 pound of Processed American Cheese, leaving 9 pounds of whey. Since these 20 half-pints are not consumed by students as fresh fluid milk, they undoubtedly fall into the price support program. As price support food, the 20 half-pints are converted to Processed American Cheese at the rate of $1.46 a pound plus the additional overall cost of storage and transportation. Then the 9 pounds of whey left over must be disposed of in accordance with the current Environmental Protection regulations.

Our question is, is this a saving to the taxpayer to save a $1.00 by no longer allowing a price subsidy for fresh fluid milk to school children and instead spend $1.46, plus storage, transportation, etc., to convert this same fluid milk into cheese?

Now we are giving away the cheese!

DLJ 6630p

Appendix #2

NATIONAL SCHOOL LUNCH PROGRAM COMPARATIVE PARTICIPATION

OCTOBER

	ADP	PAID	FREE	REDUCED	TOTAL
1979	1,016,501 (-2.3%)	11,922,721 (-5.1%)	8,930,234 (+3.8%)	755,496 (+14.8%)	21,608,451 (-0.7%)
1980	993,606 (-26.1%)	11,319,565 (-41.4%)	9,266,602 (-14.7%)	867,014 (-28.5%)	21,453,181 (-29.4%)
1981	734,514	6,628,259	7,901,407	620,053	15,149.719

NOVEMBER

	ADP	PAID	FREE	REDUCED	TOTAL
1979	1,020,651 (-2.1%)	10,778,206 (-19.8%)	8,072,658 (-13.1%)	703,391 (-2.9%)	19,554,255 (-16.4%)
1980	999,467 (-25.0%)	8,643,555 (-32.5%)	7,014,974 (-3.0%)	682,648 (-8.6%)	16,341,177 (-18.8%)
1981	749,831	5,836,254	6,801,741	624,246	13,262,241

February 3, 1982

The State Directors of Child Nutrition Programs meeting in Brownsville, Texas, January 26-28, 1982 took the following action:

1. The commodity program has long been a valuable part of the School Lunch Program and of the agriculture community. It has purchased high quality foodstuffs and distributed them throughout the nation for the benefit of the children participating in the School Lunch, and in recent years, the School Breakfast, Child Care, and Summer Feeding Programs. True, there have been problems at times in types of food purchased and in distribution. However, the value of the program generally exceeded the negative aspects.

   The State Directors recognize that the United States Department of Agriculture, Food and Nutrition Service is making an attempt to further improve the program and wish to be on record encouraging this improvement as well as the continuation and expansion of the commodity program.

2. The School Lunch Program is the oldest of the child nutrition programs. To many it is the most important part. In recent years, the School Breakfast, Child Care Feeding, Nutrition Education and Training and the Summer Feeding Programs joined the School Lunch and Special Milk Program. The State Directors recognize the importance and value of these programs in the overall child nutrition feeding programs. Budget cuts have affected these programs as well as the School Lunch. While survival of the School Lunch Program may be the most important, this does not mean that the State Directors will not continue their efforts to work for the continuation and funding of these programs that are part of the most successful child nutrition programs in the world. We will continue to cooperate with other groups and interests whenever possible to promote the Programs.

3. While all the details are not known, the issue of block grants is of importance to all states and to the Food and Nutrition Service. The State Directors oppose block grants.

   The USDA has had major success in operating the programs concerned with feeding children. This success has been due primarily because the Programs have been centered in one agency. It appears that the block grant proposal will, in addition to requiring that the Child Nutrition Programs compete with other feeding programs for funds, divide the programs among several agencies, thus complicating the role of the State Agency.

   The State Directors respectfully request that the Programs remain program funded based on performance funding and be retained in the United States Department of Agriculture, Food and Nutrition Service.

   Child Nutrition should not be used as a political football with the results harming the health and well-being of the nation's children. This above all should remain a high national priority and concern.

February 3, 1982

4. Technical assistance is a tool that can only result in benefits to all programs. The State Directors and their staffs are gratified by the recent action of the Food and Nutrition Service to expand its role in this area. Discussion at this conference indicates that in planning technical assistance, the following points be considered:

    a. Regional Office and State Agency should meet in the immediate future to define priority areas.

    b. Food and Nutrition Service should not assume what technical assistance states need.

    c. Technical Assistance should be directed to state staffs and only upon requests to school food service authority.

    d. Technical Assistance is not for locating problems, but should provide specifics for solving problems.

    e. Consideration should be given to using specialists from State Agency staffs in another state.

Care should be taken that the current Management Evaluation is not considered as technical assistance, or that technical assistance is available only to solve problems discovered during an Management Evaluation.

5. Discussion concerning the areas of income documentation and verification raises some areas of concern. The most pressing of these concerns is that proposed regulations are in the process of being issued for comment with interim regulations to follow closely.

    The State Directors respectfully request that these proposed regulations not be issued until the pilot study concerning documentation and verification is completed and the results analyzed. We do not need another meal pattern fiasco in this most serious area that could be construed as an invasion of privacy. Proposed regulations should contain methods that have been tested and are workable.

Daniel G. Wisotzkey

Daniel G. Wisotzkey, Chairman
State Directors and Supervisors Section
American School Food Service Assn.

STATEMENT OF PATRICK B. HEALY, NATIONAL MILK PRODUCERS FEDERATION

The National Milk Producers Federation is pleased to have this opportunity to comment on the budget proposals for Fiscal Year 1983 as they relate to nutrition programs administered by the U.S. Department of Agriculture.

The Federation and its member dairy cooperative marketing associations have consistently supported improved nutrition efforts. These must be viewed as an investment in the health and well-being of the nation. In the case of our child nutrition programs, the improved nutrition and improved eating habits that have resulted from these programs have yielded tremendous benefits.

The National School Lunch Program is the foundation of our child nutrition efforts. We are pleased that the 1983 budget does not propose further reductions in the program. This is due, we know, to the concerns expressed by Members of this Committee and others. Already, the program reductions put in place last year are being felt in terms of reduced participation and, in some instances, schools dropping out of the program completely. This demonstrates the need for the proposed funding levels as a minimum if program effectiveness is to be continued.

Provision of commodities to participants in federally assisted nutrition programs has proven an effective means of making use of available products, improving nutrition and bolstering farm income. These activities must be continued and expanded wherever possible.

As part of the Agriculture and Food Act of 1981, the Congress approved provisions requiring that commodities owned by the Commodity Credit Corporation be made available for distribution without cost under certain conditions and for specified uses. The Federation fully supported that action and endorses the efforts that have been undertaken through this authority to date.

We do feel that more could be done in this regard. There are recurring reports that some school food service personnel are not aware of the availability of bonus dairy products. The Federation and its membership is working to make certain that this information is universally available. We would urge the Food and Nutrition Service to do the same.

The direct distribution program now underway with cheese should be continued and expanded to reach additional people and to include additional products. The pilot project on butter distribution in Iowa is a sound start for such an effort.

One problem that has been encountered in these distribution efforts is the lack of funds at the state and local level for delivery of product to distribution sights. In a number of instances, the Federation and its members have worked with local officials to meet this need. Consideration should be given to making a limited amount of Commodity Credit Corporation funds available to assist in this distribution.

Overall, the use of commodity distribution has a beneficial impact on the nutrition programs and on the agricultural economy. We are disturbed, therefore, at repeated efforts of the Office of Management and Budget to force discontinuation of the bonus commodity program by USDA. The products used in this distribution have already been purchased by the CCC as part of agricultural price support operations. The attitude that continued holding of the product in CCC inventory is sound fiscal policy is merely addiction to an accounting principle that has no rational basis in carrying out public policy.

Far wiser is a course which moves the available product into channels where it can be beneficially used. This is the view repeatedly expressed by the Congress and one which we wholeheartedly endorse.

There are several specific recommendations in the 1983 budget toward which we would direct our comments. The first of these deals with the Special Milk Program.

The budget repeats the recommendation, made so many times in the past, that the program be terminated. The justification is, as it has been in the past, that milk is provided school children under other nutrition programs. But that is not the case today. With the changes made in the Special Milk Program through the Budget Reconciliation Act of 1981, availability of the program is restricted to those institutions that do not participate in other federally assisted food programs.

Approval of the requested legislation to terminate the program altogether would mean totally terminating Federal participation in child nutrition efforts in these institutions. If reports now becoming available, that fewer schools are participating in the National School Lunch Program, are accurate, the need for the program is, in fact, growing.

As to the amount of milk served school children through the child nutrition programs, the program statement accompanying the budget request item for the Special Milk Program in Fiscal 1982 budget stated: "In 1982 the school lunch and other child nutrition programs will spend over $900 million for milk." A similar statement in the Fiscal 1983 budget reads: "In 1983, the school lunch and other child nutrition programs will spend over $700 million for milk."

If this more than 20 percent drop in milk consumption under child nutrition programs other than the Special Milk Program is any indication of what is happening to nutrition program participation levels, it is strong testimony to the need to continue this program.

A substantial number of the children participating in the reduced Special Milk Program come from low income families. These children receive milk at no cost under the program. The requested termination would mean no Federal school nutrition assistance what-so-ever for these children.

The 1983 budget calls for a substantial reduction in the funding of the Special Supplemental Food Program (WIC) and the shift of these funds from the Department of Agriculture to the Department of Health and Human Services where they would be made a part of the Maternal and Child Health Block Grant Program. The new funding level ($630 million) is more than $300 million below the operating level of the WIC program for the current year. This budget reduction alone would mean a significant cutback in the impact of a program. There has been substantial evidence that the program has been a major factor in reduced infant mortality, reduced incidence of low birth weight in infants and has aided in preventing subnormal infant development.

Transfer of the program to another agency and combining available funds with others in a block grant will mean decreased emphasis on nutrition improvement. To a degree, this is one step forward and two back. Yes, funds would continue to be available although in a lessened amount. But there is no assurance that even the reduced funding would be targeted specifically on the perceived need.

The proposed consolidation of the School Breakfast Program and Child Care Feed Program funding under the heading of General Nutrition Assistance is little more than a disguised form of past proposals to convert all child nutrition programs to a block grant form. The Federation has seen little merit in these proposals and we see little in this.

STATEMENT OF KATHERINE L. CLANCY, PRESIDENT, SOCIETY FOR NUTRITION EDUCATION, MEMBER, BOARD OF DIRECTORS, NATIONAL NUTRITION CONSORTIUM

Mr. Chairman, Members of the Subcommittee:

I am Katherine L. Clancy, President, Society for Nutrition Education and member of the Board of Directors of the National Nutrition Consortium. I am here today speaking on behalf of both of those organizations about the Nutrition Education and Training (NET) Program. I want to tell you what the NET Program has accomplished to date, what it can accomplish if allowed to continue, and what its elimination will mean.

I am asking that the members of this committee support the NET Program by continuation of the 1982 funding level of $5 million.

As you know, the NET Program came into existence in 1977 as an amendment to the Child Nutrition Act of 1966 (PL 95-166). However, because regulations implementing the law were not issued until the following March and June, the development and implementation of the NET Program, including state plans, needs assessment and staff hiring were delayed in many states. Thus, it was not until 1979 that the program really got underway in most states. The goals of the program as established by law include: 1) teaching children about nutrition and its relation to health, 2) training food service personnel in the principles and practices of food service management, 3) instructing teachers in sound principles of nutrition education, and 4) developing and using classroom and lunchroom materials and curricula. Thus, the NET Program not only teaches the concepts of food as it relates to nutrition, but actually puts these concepts into practice in the lunchroom.

Monetarily, NET is a small program compared to other food and nutrition programs. It is worth noting, however, that in spite of its small budget the program has extensive outreach and thereby provides a large impact for a very small investment. With a budget of $15 million per year, by 1980 the NET Program was operating in 52 states and territories and had reached over 5,700,000 students, 212,000 teachers and 104,000 food service personnel with nutrition education information. Obviously with $5 million these numbers will drop and in fact, we already know that the number of schools and therefore the number of teachers, school food service personnel and students being reached with nutrition education information has decreased.

Although the NET Program has been in operation for only a limited time, evaluation data from various states as well as a major study funded by USDA conducted by Abt Associates, Inc., already demonstrate its effectiveness. The Abt study was initiated because of widespread interest in nutrition education at the federal, state and local levels. Although the evaluation was conducted when most NET projects were just beginning to be implemented, it was found that the program was functioning very well. This included the fact that: 1) funds were being distributed and used exactly as intended, 2) the great majority of state coordinators and project directors were working toward the goals intended by the legislation, 3) a number of different models and programs were developed, and 4) very positive outcomes were being recorded. The findings of these early evaluations indicated that the program was consistenly leading to increased levels of nutrition knowledge and that food preferences were being affected positively. Evaluations of the NET Program in various states have found equally impressive results. Data from California showed that overall plate waste decreased 26 percent. In a local school district in Oregon the NET Program resulted in various changes in district food and nutrition practices, including reductions in the fat and sugar content of school meals and restrictions on the sale of soft drinks. Data from Washington State indicated that food service management training workshops not only provided a greater awareness of basic nutrition knowldege among those attending the workshops and thereby improved the school cafeteria menus, but also resulted in improved communication among food service personnel, principals, teachers and students.

Similar success stories are being reported by other NET Programs throughout the country, thus providing evidence that the program is working and working well. Clearly in the face of such evidence we feel it would be a tragedy to eliminate the program.

The NET Program is cost-effective not only because it can reduce plate waste, but also because by providing training of the school food service worker the program helps to improve school meal management overall. Moreover, by teaching the food service worker the principles of food and nutrition the program helps to improve the nutritional quality of the meals served in the school cafeteria. In fact, NET workers have voiced their concern that in some states elimination of the NET Program will lead to a decrease in the quality of food served in the school lunch program, particularly in the face of probable proposed meal pattern changes by USDA.

Another point we want to emphasize is that NET has begun to turn school cafeterias nationwide into learning centers. The educational advantages of this are well understood and can have long lasting effects. Elimination of this program will not only affect such learning, but will also result in a situation where nutrition education is once again a hit or miss part of the school curriculum.

One final point worth noting is that the NET regulations specify the projects are to be administered by state educational agencies. This structure has allowed the program to be efficiently run and has also provided each state with an assessment of the nutrition education needs of its students, teachers and school food service personnel. Elimination of the NET Program will mean loss of this expertise as well as the motivation to use this information.

When Congress initiated the legislation for the NET Program, it did so because it found that: 1) the proper nutrition of the Nation's children is a matter of highest priority, 2) the lack of understanding of the principles of good nutrition and their relationship to health can contribute to a child's rejection of highly nutritious foods and consequent plate waste in school food service operations, 3) many school food service personnel have not had adequate training in food service management skills and principles, and many teachers and food service operators have not had adequate training in the fundamentals of nutrition or how to convey this information so as to motivate children to practice sound eating habits, and 4) there is a need to create opportunities for children to learn about the importance of the principles of good nutrition in their daily lives and how these principles are applied in the school cafeteria.

The NET Program has made a good start, but at this point only a small percentage of the individuals to which the program is targeted have been served. A move to eliminate the program at this time will be a signal to both the food and nutrition community and the education community that this Congress' and this Administration's commitment to these goals and principles has ended. We believe that would be a mistake and we ask that you continue your support for this small, but far reaching program.

STATEMENT OF JAMES HACKING, NATIONAL RETIRED TEACHERS ASSOCIATION, AND THE AMERICAN ASSOCIATION OF RETIRED PERSONS

The National Retired Teachers Association and the American Association of Retired Persons have long recognized that the Food Stamp program is an essential component of the income support structure that serves the poor and near poor individuals and families. Any proposed alterations in the program should be considered with great care.

Last year, when the full Committee met to hear testimony on another set of proposed program changes, the Associations offered comments grounded in an analysis of the present and anticipated income situation of the elderly. We reported some alarming news regarding the poverty rate for older Americans: after a 9-year period of decline (from 25% in 1969 to 13.9% in 1978), the percentage of elderly persons whose incomes were below the poverty line suddenly jumped in one year (1979 to 15.1% -- the largest rate increase since the Census Bureau began collecting statistics. This increase occurred at a time when the rate for persons under age 65 remained static at 11.1%. Furthermore, the rate of near-poverty (125% of the poverty level) for the elderly rose to 24.7% as compared to 15.2% for the under age 65 population.

The subsequent year's poverty statistics (1980) only confirmed this upward trend; again, the elderly poverty rate jumped substantially, to 15.7%, while the near-poverty figure rose to 26%. That is, in 1980, some 3.9 million persons aged 65 and older subsisted on annual incomes of $3,941 or less ($4,954 for couples), while fully a quarter of all older Americans made do with an annual income of $4,926 ($6,193 for couples).

While the figures are not yet in for 1981, there is no reason to expect a reversal of this trend. A 1980 Association-commissioned study, by Data Resources, Inc. concluded that even if current program remained in place with no legislated cutbacks, the elderly's share of income relative to that of the non-elderly would decline sharply beginning in 1981.

In this context, the importance of in-kind income support programs such as the Food Stamp program becomes indelibly clear. Even when the cash value of in-kind benefits is calculated into their incomes, a large percentage of the elderly are scraping by with very little indeed, and with less as time goes by.

For instance, figures from the USDA Food and Nutrition Service indicate that 85% of all elderly households (households that contain one or more elderly persons) receiving food stamps have gross incomes at the poverty line or below it, while all but 2% of such households could be classified as "near-poor". Roughly two million elderly persons participate in the food stamp program now ("elderly" signifying those age 60 and over), yet they represent less than a third of the 6.3 million persons age 65 and over whose income places them in the same near-poor category.

It is these harsh facts that cause us to express concern regarding certain of the changes made in the food stamp program last year, as well as opposition to several proposals which the committee is considering now.

1981 CHANGES

As part of the budget reconciliation legislation in 1981, Congress enacted spending reductions in the food stamp program estimated by the CBO to total $1.7 billion in fiscal 1982, $2 billion in fiscal 1983, and $2.3 billion in fiscal 1984. (Higher than expected unemployment rates during the past year have since pushed those figures higher.) In making these reductions, Congress recognized the deteriorating income situation of the elderly and specifically excluded them from provisions such as the 130% gross income eligibility limit. However, some provisions of the legislation enacted will have a direct, adverse impact on elderly recipients. Although the changes were implemented too recently to provide empirical data on their effects, we would like to comment on expected results.

Freezing of the Standard and Excess Shelter Deductions at their 1981 Levels

Many persons who were receiving low food stamp allotments at the time these provisions went into effect have probably already been denied benefits, and over time, freezing these deductions will progressively reduce and deny food stamps to increasing numbers of elderly persons who have income from indexed sources, such as social security, Supplemental Security Income and veterans pensions. As benefits from these programs rise to keep pace with inflation, recipients will register "higher" (inflation adjusted) incomes for food stamp purposes and will thus qualify for fewer food stamps -- or none at all. Freezing the standard and excess shelter deductions will effect an overall reduction in real benefits for individuals, most of whom are already subsisting at the margin.

Repeal of Medical Expense Liberalization Scheduled for 1982

A scheduled 1982 decrease in the medical expense deduction threshold from $35 to $25 a month was repealed in the reconciliation legislation -- action which directly disadvantaged elderly participants in the program. Repealing this improvement ignored the fact that the elderly spend more on health care costs than any other age group, and that inflation in the health care sector is greatly outstripping the general inflation rate. In 1980, average out-of-pocket health costs for the elderly were approximately $1,075 per person per year or about $90 per month. We regret that Congress chose to do away with a liberalization which would have softened the impact of this increasing cost burden on the elderly.

CURRENT ADMINISTRATION PROPOSALS

For Fiscal 1983, the Administration has asked Congress to cut the food stamp program by an additional $2.3 billion, from $11.8 billion under current law to $9.5 billion. An analysis of USDA data by the Center for the Study of Budget and Policy Priorities (CSBPP) indicates that, in fact, the proposed cutbacks amount to $2.8 billion. The lower Administration figure results, it would appear, from an expected offset of $500 million in increased food stamp expenditures for families adversely affected by proposed benefit reductions in other programs, such as Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI).

This would be a very severe reduction in a program which sustained large cuts only last year. Moreover, if the proposed cuts are enacted, they will have the harshest impact on the elderly and disabled -- groups that are most vulnerable and least able to make up the losses elsewhere. Preliminary estimates by the Congressional Budget Office indicate that close to 93% of all elderly and disabled households presently receiving food stamps would have their benefits either reduced or eliminated. Some 26% of all elderly and disabled households (560,000 households) would either be terminated or have their benefits reduced to such low levels ($1-$5 a month) that they would drop out of the program -- and most of these would be elderly women living alone. An additional 66% of the elderly and disabled (over 1.4 million households) would remain in the program, but would have their benefits cut by an average of $16 a month.

We would urge the Committee to carefully review the following specific proposals and consider their impact on the elderly:

Increase the "benefit reduction rate" (percentage of disposable income which recipients is assumed to spend on food) from 30% to 35%.

This proposal would make a straight, across-the-board reduction in benefits for all food stamp recipients, and a far more severe one than might at first be apparent. If this modification in the benefit formula were enacted, most elderly households would have their food stamps cut by an amount equal to 5% of their disposable income. But the proportion of food stamp benefits lost thereby would be much higher -- especially for the elderly. For instance, an elderly couple receiving a monthly income of only $417 from social security or SSI would lose 57% of their food stamp benefits; their benefits would fall from $336 to $144 a year. An elderly person living alone on a $285 monthly income who did not have excess shelter or medical deductions would be removed from the program entirely, even though that person had income at only 80% of the poverty line.

The rationale that has been offered in the past for this type of benefit cut is that an increase in the benefit reduction rate would bring it closer in line with the proportion of income actually expended on food by low income people. In fact, it has been shown that older persons in comparison to younger consumers do spend a disproportionate amount of their incomes on basic necessities -- and not only on food. Studies by the Bureau of Labor Statistics indicate that in comparison to the non-elderly, the elderly spend 33% more of their budgets on fuel and utilities, 11% more on housing and 44% more on out-of-pocket health expenses. A recognition that lower incomes force people to spend higher proportions of that income for the necessities should not be a justification for narrowing the margin of survival.

Count Low Income Energy Assistance as Income in Computing Food Stamp Benefits

As mentioned previously, the elderly must spend a disproportionate amount of their income on energy, and so it is not surprising that over 40% of those receiving energy assistance are low income elderly persons. With fuel and utility costs continuing to rise, and with the potential for abrupt increases in costs due to dislocations in the flow of oil supplies or accelerated decontrol of natural gas, the limited energy assistance available to poor and near poor older Americans will grow in importance.

If the proposal to count low income energy assistance as regular income were implemented, all families receiving such assistance would lose food stamp benefits. Up to $5.25 in food stamp benefits would be cut for every $10 received in low income energy assistance. Ironically, those who are most severely affected by extreme weather conditions -- such as those residing in the Northeastern states -- would be most drastically penalized for accepting assistance in paying for skyrocketing energy costs. Some would lose food stamp benefits altogether during the winter months, forcing them to make a choice between adequate food and adequate heating. Given their high susceptibility to hypothermia, elderly persons faced with this choice could be making a life-or-death decision.

Proponents of this recommendation argue that energy assistance payments are discretionary payments that are available for food, but this contention is not supported by the facts. Statistics produced by the Department of Energy (as reported by the CSBPP) indicate that from 1977 to 1980 alone, energy costs incurred by low income households increased by $6 billion a year -- a burden which the energy assistance program, funded at about $1.75 billion a year, offsets by less than a third. Moreover, in several states, energy assistance is provided directly to utility companies, never even reaching the individuals and families whose food stamp benefits would be reduced to reflect that aid.

The proposal to count low income energy assistance as income in calculating food stamp benefits was advanced during Senate Agriculture Committee deliberations last year and, largely on the basis of its adverse impact on the elderly, was rejected. We urge the Committee to be guided by the same concern this year.

It should be noted that a similar Administration proposal in the housing area would increase rents for households receiving both food stamps and housing assistance by an amount equal to 30% of each household's food stamp benefits. Since the elderly contitute one-third of all households who receive both housing assistance and food stamps, they would be prime victims of this cutback. The cumulative effect of these cross-cutting benefit reductions is far greater than individual proposals would suggest.

Eliminate the $10 Food Stamp Minimum Benefit

A provision designed to protect the elderly and disabled, the minimum food stamp benefit in fact goes primarily to these groups. Under current law, one and two person households with low enough income and assets to qualify for food stamps receive at least a $10 minimum monthly benefit. If this provision were repealed, several hundred thousand households would be dropped from the program -- most of which consist of older or disabled persons, and especially elderly women living alone. Several hundred thousand additional households -- also elderly and disabled, for the most part -- would have their food stamp benefits reduced to less than $10 by repeal of the minimum combined with other food stamp cutbacks. According to the Congressional Budget Office, the proposal would result either in either complete termination or a benefit cut to less than $10 per month for some 850,000 households, three quarters of which would be elderly or disabled households.

SUMMARY

The Associations oppose the proposed cutbacks in the food stamp program, as they would slash drastically or eliminate food stamps for a very needy and vulnerable segment of the population. The food stamp program sustained large cutbacks last year. Although Congress exempted the elderly from some of those food stamp cuts in recognition of their precarious income situation, older recipients still suffered reductions caused by freezing the program's inflation adjustments.

Food stamp recipients should not be penalized because of the program's sensitivity to unemployment and inflation. It should be understood that unlike other groups, the elderly who are food stamp recipients are much less able to make up whatever benefit losses they may sustain. They have little or no access to the labor markets and they do not share in tax cuts since they tend to have no tax liability. We urge members of the Subcommittee on Nutrition to take these factors into consideration in reviewing all proposals for change in the food stamp program.

STATEMENT OF LORETTA SCHWARTZ-NOBEL*

Mr. Chairman and members of the Committee, I have spent seven years traveling across the country and speaking to the hungry in rural shacks, urban ghettos, on Indian reservations, and in previously middle-class homes. I have published reports in Washington, Boston, Chicago, Philadelphia, and nationally in Ms. Magazine, Mother Jones Magazine, Family Circle Magazine, and McCalls Magazine. I am the author of a book entitled Starving in the Shadow of Plenty, published in August 1981 by G.P. Putnam.

As you no doubt heard, Martin Anderson, Ronald Reagan's Chief Advisor on Domestic Affairs, announced in December 1980 that poverty had been virtually wiped out in the United States; that our systems of government aid have been a brilliant success; and that in turn, we could now begin to dismantle them.

Mr. Chairman and members of the Committee, I submit to you that it is time we lay bare the horrifying truth.

In 1979, 12 years after Robert Kennedy and Joseph Clark traveled the muddy back roads of Mississippi, and the war on poverty rose and fell, I retraced some of their steps and found that marasmus and kwashiorkor, the most extreme diseases of protein and calorie deficiency, still exist in the United States today.

There are thirty million Americans living below the poverty line; most of them are groveling for food.

In 1980, the average monthly income of a person over sixty-five who had put money into the Social Security System for thirty or more years was only $289 a month or $3,468 a year.

I recently returned to the area I visited years before to try to assess how some of the proposed budget and food stamp cuts would affect lives that were already marginal.

What follows are the stories of some of the real people whose lives your policies will touch. I hope you will take the time to read about them. I also invite you to come to Philadelphia and meet them. A field trip from Capitol Hill is being planned for March 12, 1982. Everyone agreed that they were an odd couple. The frail old Jewish lady who could barely see and who had not left her house since the day her husband died nine years before, and the aging but vigorous black woman who had been camping out in an abandoned house for at least two years, with no gas, no electricity and no food except for what she could find in the streets.

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* Loretta Schwartz-Nobel, an investigative reporter based in Philadelphia, has written extensively on the problems of the disadvantaged. Within a three-year period, 1975-1978, her articles won two Robert F. Kennedy Awards for outstanding coverage of the problems of the disadvantaged and almost every other major magazine journalism award in America. She is a contributing editor at Philadelphia Magazine and a Senior Policy Analyst at the Plymouth Institute, a nonprofit organization which examines critical social and political issues. Part of this testimony is adapted from her book Starving in the Shadow of Plenty published by G.P. Putnam's Sons.

Then they had found each other. It was a friendship formed of mutual need: the need to survive. Ida needed someone to shop for her, take care of her and cook for her. Rosie needed a home. Somehow those needs transcended all of their differences.

In her day Ida had been an independent woman. She had had a job as a secretary and had not married Sam until she was in her late 20s. Afterward she had continued to work in her office, as well as helping Sam in their grocery store early in the morning and after five.

Slowly everything had changed. Sam had a heart attack and died. Ida herself grew old and frail.

"That's my grandson," she told me, pointing to the picture on the wall. "That boy I'm leaving the house to in my will. He's a nice boy. That's my grandson's mother, and over there is my son."

Do you ever see them? she was asked.

They've moved, she said, "far away across the bridge." "Luckily," she added, "I have Rosie."

The people in the neighborhood had different theories about Rosie's problem, and why she often wandered the streets alone, talking out loud to herself about the people who were trying to kill her and steal her money. I had one long talk with her. The conversation started with Ida.

"Ida has plenty trouble," Rosie explained. "She has a lot of friends hither and yon and so forth but she can't find them. So she cries and worries and wants. I can't stay with her for long. I do everything to try to make her understand I have to go back to Washington. You see, child, the President of United States, himself, didn't know that I was the owner of thousands of different things until the whole world told him and the band started playing and the politicians - they all knew it was me. The President began to send me money but it got took through the mail. When I was in Washington they had the parade for me. I thought that was sweet. But they...try to kill me because I am part of this colored generation."

Ida said later, "She's so mixed up in so many things. She lives in an imaginary world, but when it comes to doing for me, she is not mixed up at all. She takes care of my medicine wonderful. She goes to the store for me. She cooks food for me. She's kind. She's like a mother to me; honestly, I have never felt that much love and devotion in my whole life. You should see how she covers me up at night and looks after me. I have grown to love her. Before she came here she laid on the floor to sleep. She was starving. She's demented but she's kind. I only worry that she will go away and there will be no one to take care of me. I think about it day and night. What will I do if she goes to Washington like she says and I am left alone? I can't afford to pay someone to take care of me. How will I live? How will I shop? How will I eat? I suffer from a condition called fear. Fear is a terrible thing."

# # #

Despite her fear, her poverty and her physical frailty Ida is one of the luckier people in the neighborhood. At least for the moment she has Rosie. She's made her adjustment. An 88-year-old woman who lives down the street from Ida asked that not even her first name be used so that her "little granddaughter," who is 35, would not be embarrassed. Then she told me how she managed. "During the cold months last winter my heating bill took almost my whole Social Security check. I had almost nothing for food. I bought frozen chicken backs for 10 cents a pound. I made a nice broth. I strained it so I didn't have the little bones. Then I took the bones and I stripped all the meat off. That made enough food to last a week. I also asked the butcher to save me brisket bones. I boiled them with beets. When the beets were done, I had beet soup. I could have that for a whole week too."

This is South Philadelphia, a tangle of streets and tiny houses around Fifth and Reed, where thousands of immigrants settled between 1880 and World War I. In many ways it is a typical urban neighborhood with a tap dance school, businessmen's association, fire station - and a large number of elderly residents. It's not particularly poor, and neither is it by any means affluent.

These older men and women are some of the real people behind the statistics that are being thrown around in debates in Washington over Social Security and other social programs, debates in which one important question is asked only occasionally - and almost never answered satisfactorily. What is life really like in 1981 for elderly people in American cities who no longer can earn incomes of their own?

Each case, of course, is different. Sometimes these older citizens are being helped by their children, who have become nurses, teachers and secretaries, policemen, longshoreman and lawyers. Sometimes they are not. But in listening to these people tell the story of how they live, one hears certain themes repeated. They feel that it has become harder to survive. The cost-of-living increases they received in their Social Security benefits during the 1970s did not keep pace, they say, with the increased costs of utilities, rent, medical care and food. They say they find themselves stripped of any sense of security. Their savings have been eroded. And they have found themselves, after a lifetime in which they considered themselves part of the middle class, dumped on the doorstep of poverty.

Programs like food stamps have become essential to their survival. So have social service agencies - most of them government-supported - that have brought hot meals and provided vans to take them to the hospital or food stores when they were too enfeebled to walk, and people to come and help them in their homes when they were unable to do simple things like bathe or dress themselves.

And they have held on, though not by much more than a thread in many cases. Norma Rotman, until recently a community research associate at the Albert Einstein Medical Center at Fifth and Reed, reports that "very few - if any" of the elderly people in the neighborhood are without real and significant unmet needs.

And now, suddenly, it appears that things will become much worse as the new administration under President Reagan proposes cutting food stamp programs, slashing funding for the agencies that provide things like emergency meals and van transportation, and reducing Social Security benefits. All this has taken many of the people in those agencies by surprise.

"It was," says Richard Browdie, director of operations for the nonprofit Philadelphia Corporation for Aging, "like a military airstrike on the elderly, done so fast that the opposition didn't have a chance to put its pants on."

The elderly, for the most part, find the Reagan administration's concept of a "safety net" uncomforting. The term is used by administration officials to mean that cuts in spending will be designed so that vital aid to the disabled and elderly will not be reduced. Many elderly people, however, say they are not secure now; they have already fallen below any level of "safety."

# # #

Some of those people in South Philadelphia tend to go to the Einstein hospital for more than just medical attention. The staff there seems to care about them. Get-togethers are held at Passover, Thanksgiving and other holidays.

"When we have a social function, we serve food," explained Betty Begg, a social service outreach worker at the hospital, who knows her 770 clients by name. "The elderly people come with shopping bags. First they pile their plates with food, then they take it to a corner to wrap it up and put it away. They take anything that's edible. It is deprivation, not lack of manners. It is a need that is overwhelming. They are starving slowly while trying, on a day-to-day basis, to survive.

"It is very depressing to sit with these people and say, 'I know it's rough, I know you are starving, but I have no answers.' I am talking about people who get $155 a month and say to themselves, let's see, how can I do it? How can I survive? I have gas, the fuel, the electric, the medicine. If they are lucky they have $15 a month in food stamps. What can you eat with $15? That's 50 cents a day, or less than 17 cents a meal. I don't know how much worse it can be. If you were 30 or 35 perhaps you could find an alternative means of living, but when you are 70, 75, 80 years old, trying to live on this kind of income is impossible. When you open their cupboards you see an egg, two eggs, an onion. They are living from day to day."

Many people think that lots of services are available to the elderly now, virtually for the asking, Betty Begg observes. They think that senior citizens can get home-delivered meals if they need them, that there are government programs that take care of them. But these programs never did everything that people hoped they would, and now they are being reduced or phased out.

"When old people try to get these meals," Betty Begg says, "they are told that there are 376 people ahead of them." They are told, in effect, to wait until the people in the program die, even when they need the program now because they can't get to the stores, or, if they get there, they can't afford the food. Or else their expenses are so high they can't afford dental care. If they get teeth they can't afford the meat. Medicaid covers some things but not others. If a person goes to a doctor and is told that he or she needs drugs which cost four or five dollars that person may be forced to choose between medicine and food. If they receive an increase in Social Security benefits, someone is sent down to re-evaluate them. The raise is deducted from their food stamps. Even before the proposed budget cuts it was a Catch-22 situation with the elderly getting it from all sides.

"Now I hate to hear the phone ring," Betty Begg says angrily. "If Reagan gets the cuts he's asking for, we may as well put a tape on the phone and say no service available. I'm starting to feel as if there are no answers."

# # #

Lillian Williams is another elderly woman who lives in the area and who often visits the Einstein complex. She came to Philadelphia from Jamaica when whe was a girl, and today, at 76, she is a widow, housebound with a serious heart condition. She has no children, no living relatives and no money exept for a small Social Security check, but I quickly learned that Lillian's concern goes beyond her own situation. She's worried about America and feels compelled to talk about it.

"The price of food keeps going up and up and nobody is stopping it. Everybody feels it. It is so bad that even the rich people feel it now. When I lay down at night everything comes over me. Not just what I am going through but this feeling I have that the world will never be the same. People were so different when I was young. They used to care about each other. They used to be so kind. These days I can't get my neighbor to drive me to the store even if I offer to pay him. Maybe it is lucky that he says no because Lord knows I can't afford to pay him much."

I looked around at her once-beautiful sitting room with its two matching fireplaces and cut glass chandelier made for five bulbs; only one bulb was being used. She read my thoughts. "I try to keep the cost of electricity down," she said. "For that matter I try to keep the cost of everything down so I can stay here and not lose my house. For 30 years I have had this house. You can see this was a beautiful house once, but now I can't afford to keep it up or to repair it or to even light it."

"It's been getting worse and worse ever since my husband died. You know," she went on, "I always wanted to die before he died. On the 25th of March, one day after my birthday, I had gone to the store and was waiting for the bus. All of a sudden, at Eighth and Market Streets, surrounded by people, I had an overwhelming feeling that I was in the world all alone. I felt cold and dark inside, and I stood there and I thought, my God, what's wrong with me. When I got home the police were there waiting. They told me my husband had just died. We had been married for 50 years."

Lillian Williams doesn't know how much longer she can survive. In winter she buys a ton of coal for $100. Even though she is 76 and a heart patient with high blood pressure, she goes down to the cellar four times a day to shovel coal into the furnace. Her Blue Cross and Blue Shield insurance, which supplements her Medicare coverage, costs $45 every other month.

By the time she pays those bills and her electricity and telephone bills there is almost nothing left for food. "Meat is real high," she tells me. "When I can, I buy something that looks like veal but it's not. I really don't know what it is. I cut it in four slices and then I wrap each slice separately and freeze it. When I cook a slice I try to eat it slowly.

"I buy ox tail sometimes. I used to love shrimp or codfish. I can't buy them now. Sometimes I get a piece of lamb from the neck. I buy chicken wings. I go to the Acme supermarket and wait for the cheapest meat or food that's sometimes reduced at the end of the day. I take what's left. I'm doing without a lot of things. I eat mostly soup - but these days you can't cook a decent soup. I used to get shin meat. Today, I can't even get that. I tell you, you can't eat much now. I know it's not just me. Sometimes I watch when elderly people come into the supermarket and I see them just stand there looking around like they are hungry and lost.

"One day about a year ago I said, oh the hell with it! The hell with everything. I went to the butcher and I said I'll take that large chicken. I didn't even ask him how much it was. The chicken cost $4.98 and I bought it. It had been years since I had a chicken like that."

# # #

Lilliam Williams is one of millions of American widows who have worked all their lives, get Social Security and still live below the poverty line. A 1980 report to Congress by the Advisory Council on Social Security stated that about one of every three aged widows was living in poverty even if they received Social Security. (The poverty line for a single person is currently considered to be an annual income of $4,750; for a couple, the figure is $5,970.)

Benefits for elderly women who have never been married usually are even lower than the benefits for widows. Most of these women worked in traditioinal female occupations, which typically paid less than male occupations, and as a result their Social Security benefits, which are based on what their salaries were, are lower than those for men. For these reasons and others (women normally live longer than men, for instance) the problem of being old and poor involves more women than men. For many of these women, survival without outside help is nearly impossible.

# # #

In 1980 the Social Security Administration recommended a change in policy. If it were implemented, it would ensure that any person who had worked for 30 or more years with earnings equal to the minimum wage at the time would receive benefits, beginning at age 65, that were at least "equal to the poverty level." It was also recommended that total benefits for all recipients gradually be brought up to the poverty level through the combined payments of Social Security and a new program called Supplemental Security Income.

But the proposed increases are not likely to be implemented, because in 1980 Social Security payments to beneficiaries exceeded by $2.3 billion the amount the program was receiving from wage earners. The trustees who oversee the Social Security program now claim that the system is so strapped it will be unable to pay benefits to 35 million retirees or their survivors by late next year unless Social Security taxes are raised sharply - or benefits slashed. And Health and Human Services Secretary Richard S. Schweiker has said that reducing benefits is the only real alternative, since the Reagan administration is seeking to reduce taxes - not raise them - in an effort to stimulate economic growth.

Schweiker's position has drawn fire from a number of sources, and Congress may overrule the administration. But even if Social Security benefits remain more or less as they are now, most of the elderly still will not have much. Social Security allows the majority of its recipients only a poverty-level income after a lifetime of work.

And Social Security is only one of several federal programs that are feeling the ax. All sorts of services for the elderly are already being eliminated. No one knows this better than Joe Walsh, a planner at the Philadelphia Corporation for Aging. The Corporation, which was set up in 1973, is the primary recipient of federal funds allocated to aid Philadelphia's elderly poor. Over the past year it received about $15.5 million, which it, in turn, channeled to private agencies, churches and community groups. Among the most important operations it funds are the 33 centers throughout the city that prepare meals for the elderly. "We are expecting cuts in almost every area," Walsh said. "Our group dining will drop by about 8,000 meals. Our staff will be cut. Nutrition aides will have to be fired. Most of our CETA workers are gone. The rest will leave in October. We have sold the vans that took the people shopping. We have already put a freeze on hiring.

"Reagan wants a 25 percent cut in our budget. The automatic reaction is to say, my God, what are we going to do? Our funds have already been whittled away for some time." He said that, when the effects of inflation are taken into account, his budget last year was about 6 percent less than the year before. "Now the whittling process has become chopping," he said.

By January, the Corporation-funded services to the homebound elderly will be drastically curtailed, literally stranding thousands of helpless old people in their beds. Under changed eligibility rules expected to go into effect this fall, at least 5,000 senior citizen households in Philadelphia will lose completely their access to food stamps. And those who remain eligible will, in many cases, have their benefits reduced. In addition, the Energy Assistance Program, which helped many elderly people pay their heating bills, will be reduced by about 25 percent. This presents a particular penalty for older people who find that cutting the heat brings on or intensifies chronic health problems.

What's more, the cuts scheduled for this year are supposed to be only the beginning. Richard Browdie, of the Corporation for Aging, said, "I have a nightmare of total chaos by 1984. We will see how the trap slams shut."

The suffering that Browdie and his colleagues foresee will not always be statistically measurable. Frail and elderly people will try to get to the store themselves because van service is no longer available. Some will fall or have heart attacks or be robbed when they go out unaccompanied. Others will lower their heat or try to live without it because their fuel assistance has been cut. They will eat less because their food stamps and Social Security benefits have been reduced, and they will grow weaker and more subject to disease.

"Elderly people will pay such a dear price that it will be unbelievable," Richard Browdie said. "President Reagan may have a utopian goal, but there will be a lot of wreckage along the way."

# # #

The pattern of reactions to the dim future foreseen by the elderly that I had found in South Philadelphia was repeated in other neighborhoods.

It was noontime on a hot July day when I arrived at the David Neuman Senior Center at 6600 Bustleton Ave. in the Northeast. Seven years had passed since I had been there to gather research for my first article on hunger in Philadelphia. Rachel Falkove and Judy Schwartz still ran the program with the devotion and warmth I remembered, but many other things had changed.

In 1974 the center had been able to provide lunch for everyone who came; no one was ever turned away. Now such openhanded hospitality was no longer possible. The day I arrived the center's food preparers were showing the volunteers who serve the food how to measure portions carefully, which had become important because the amounts the center could serve at each meal had just been reduced by 30 to 40 percent. The soup bowls, it was explained, should be filled to the halfway mark, the meat serving reduced to about three ounces.

"There is no way this amount of food will sustain them," one worker said angrily. "These are active people. They walk here. We never measured ounces before. We served what was right. It's a shame. These are supposed to be the golden years of life. There are four or five hundred calories in this meal and that's all that most of these people will eat all day. People living in nursing homes are getting three times as much food and they are bedridden.

"I know this country needs military strength," the worker continued, referring to the argument that social services must be curtailed so that American military might can be kept intact. "I fought in the Vietnam War, but there is so much waste and fraud in the bureaucracy. Maybe that's the point to look at instead of depriving these people of food."

In 1974 the elderly were fed five lunches a week at the center. Today they are allowed, variously, two, three or four meals a week based on how needy they are. About 400 people get hot lunches at the center during the week, but only 130 meals are served on a given day. In an effort to feed the people who are left out, the center began selling sandwiches at cost, but some people can't afford to buy the sandwiches.

Rachel Falkove told me that at other senior centers it is worse. "Many have lines that form at 8 or 9 in the morning. People stand and wait until 11:30 or 12. Fortunately we don't have that," Rachel said, "but since you were here in 1974 we have had a lot of Russian immigrants move into this neighborhood. The people who eat with us now are poorer."

The center also had just lost its "discretionary meals." In the past it could serve 10 emergency meals each day to people who were desperately hungry or sick or who had no other food available that day. The program has been eliminated all over the city.

"I don't feel that people are as angry as they should be," Rachel told me. "These are people who have worked hard their entire lives. This program and others like it are here to help them. We have worked a long, long time to keep the dignity in this program and I don't feel as if the people who are eating here should be further deprived. To deny people emergency food or to make them ask for a third or fourth or fifth lunch each week takes the dignity out of the program. Some of these people are survivors of Nazi Germany. They have suffered enough. Why should they have to beg us for food. People who express a need shouldn't have to fight for the number of meals they are getting."

Abe Loren is a survivor of the Holocaust. He is a sad and quiet man who now comes to the David Neuman Center to get enough food to survive.

At first it seemed hard for him to talk to me. We sat together for a while and then I told him that I had recently been to Germany and had walked through the Dachau concentration camp. Suddenly he was alert. "They let you in and they let you out again?" he asked increduously. After that question came a flood of others. "Do they still have the gun towers?" he asked. "Do they still have the tall electric fences? Do they still have the buildings with the rags on the windows? I was there for many years," he said, "then I was sent to a work camp. They took my mother and father to Stuttgart. They killed them over there. I was young, I was strong. I survived. But now I am not young and I am not strong. After I came here I worked in a food market for 19 years. I get Social Security, but after I pay my rent, electric and telephone I have only $30 left for the month and that's for everything. Today's very expensive, I need shoes, I need teeth, I need medicine for my heart. I need food."

"What do you do for food?" I asked.

He shrugged. "I do the best I can. I eat a good lunch when I come here three times a week."

After Abe left I noticed a small, fragile, rail-thin lady with grey hair and bright blue eyes sitting off by herself. As I approached she smiled, held out her hand and began to talk. She told me she had been a dressmaker and had never married. She told me she thought that the moral fiber of America had deteriorated. When I asked her about the cost of food she answered, "With inflation so high how can we exist? I manage to get along, that's about all. I eat as much as I can." She never said she was hungry.

Later, a staff member told me that the woman had been referred to the center by the Jewish Family Service because she was sufffering from malnutrition. As I got into my car at the end of the day I saw her again. I watched her as she walked slowly, haltingly, on toothpick legs, past the center's large yellow sign with green letters that said, "March on Washington, No Cutbacks on Social Services."

# # #

Even the experts and the economists say it is impossible to predict the precise impact that the budget cuts will have on the lives of the elderly in Philadelphia and across the nation. A lengthy report was compiled by the staff of the Philadelphia Health Management Corporation, a nonprofit organization that identifies, defines and attempts to resolve problems in the health system. The report points out that while the administration has emphasized that the most needy citizens will be protected by a "safety net," in fact some 40 different programs that provide health services and other aid for the elderly are scheduled to be cut by 25 percent in the current fiscal year (34 percent if you add on the squeeze likely to be added by inflation).

Philadelphia and other major cities in the Northeast and Midwest will absorb a disproportionate share of the cuts because of both their large populations of low-income minority groups and large numbers of residents who live on fixed incomes.

It has been estimated, for instance, that Medicaid payments for Philadelphians will be reduced by as much as $12 million in the coming year, payments that would have provided, among other things, nursing care, medicine and medical treatment for the elderly poor. In addition, there will be a reduction in funds in social services that provide in-home care for the elderly, thereby enabling them to remain in their own homes rather than being consigned to nursing homes.

These cuts will be combined with reductions in programs that helped older people pay their skyrocketing fuel bills, provided them with food stamps, gave them reduced fares on public transportation, made low-cost housing available, and gave them free legal services.

What President Reagan has called "America's new beginning, a program for economic recovery," will leave millions of elderly people, who were just barely able to manage before the cuts, without enough to manage.

Some may decide to give up the struggle for independent living and try to enter nursing homes, only to find that the cuts in Medicaid have all but closed off that avenue. Others will turn to social agencies, only to find that those agencies, too, are unable to help them.

Rick Spector, service manager for in-home services at the Neuman Center, says, "Our clients need the food we provide. Our workers have found people dead or practically dead. This is a vital service, yet people who are asking for help are now being told they have to wait. We expect more cuts in October, cuts in staff and food and funding. We are already feeling it. We don't have the services to give and we are inundated with calls. Most of the time when people come to us they are at the end of their rope. Their alternatives have been exhausted.

"The hardest thing is that we don't have an answer. Our voices are not being heard. I think that President Reagan really doesn't know what is going on. I think it would make a difference if we could take him in a van and bring him to these homes. As it is, there is not much we can do. These days, being a social worker means always having to say you're sorry. Sometimes they find an answer by themselves,...sometimes they die."

# # #

I had heard this before from Maris Kobb, coordinator of in-home meals at the Philadelphia Center for Older People, at 509 South Broad St., as we drove the route that serves lunch to 250 home-bound elderly people from river to river and from Market Street to South Street. Philip Holmes led the way in a small station wagon packed with lunches. He has driven through the back alleys and ghettos of this route for more than a year, and he knows every name, every face, and the habits of all the people he served.

Some would be waiting at their windows for the trays of food. Some would sit in wheelchairs at their front doors. Others had asked him in advance to leave the food outside and ring the bell because it took them such a long time to get from their bed to the door. One woman who couldn't walk, and who lived in a room on the third floor of a battered old brownstone, had devised a pulley system. She dropped a shopping bag on a string, the meal was put in the bag, and then because she was not very strong and the lunch was difficult for her to lift, she pulled her food up along the front wall of her house an inch at a time to her third-story window. Her life literally hung on a string.

When I asked Cynthia and Joyce Abbott, two sisters living alone, both with glaucoma, one with an oxygen tank attached to her, the other unable to walk, what they ate for their evening meal, they said they saved a part of the lunch Philip Holmes brought them.

The Abbott sisters can't take care of themselves. None of the people on his route can. There used to be enough trained homemakers from various city agencies to visit and help them bathe and feed themselves and give them their medicine. Now many have been let go because of the budget cuts. Some of the people on the waiting lists will die before the center is able to serve them. Worse still, Maris Kobb pointed out, "the real impact of the cuts hasn't hit at all yet."

Dorothy Koltun and her husband Ben live in the house that Dorothy grew up in. It is a neat, clean South Philadelphia rowhouse with a green and white linoleum floor and an empty shopping cart in the living room. The sparse but comfortable furniture belonged to Dorothy's mother, the shiny brass candlesticks to her grandmother.

Both are cardiac patients and have been in and out of the hospital with frequent heart attacks. They used to have a homemaker come in for two hours twice a week. They also had a CETA driver who took them to the supermarket once a week and helped them carry whatever groceries they could afford. Because of budget cuts, both these services have already been stopped.

Dorothy is getting $77 a month from the federal government. She was to begin receiving a Social Security minimum benefit of $122 a month this fall. Under the Reagan administration proposal, such minimum benefits would be eliminated.

"After we get done paying the bills, I try to divide the money that is left to make it last," Dorothy said, "but I don't have enough and before I know it I am borrowing from the next week's money. The last week or week and a half [of the month] there is nothing."

We talked for a while about how she had always believed in this country and thought it was a land of opportunity, a nation that would always take care of its people. When it was time to go Dorothy asked if I would come back. Then she pressed a beautiful potholder she had crocheted into my hand. It was red, white and blue.

Knowing their circumstances - and knowing that it was the last week of the month - I brought them a small bag of groceries the next time I visited. Somewhat embarrassed, afraid of offending them, I explained that I had just been shopping in the neighborhood and had bought a little extra.

Dorothy and Ben looked at me incredulously and then looked in the bag. Ben lifted out the food and his eyes lit up. "Chicken. A whole chicken," Ben said in wonderment. "You must have read our minds. Chicken," they repeated together, and it sounded like a cry of joy. Then Dorothy sat down and took my hand.

"Many times I have prayed for help and nothing has happened. Sometimes in recent months I have felt that God has forgotten us. But today I know that God has remembered us. We have found a friend. Last night I dreamt of my mother, who has been dead for many years. Then I woke up at 2 a.m. and I began to think about how I would get the food to keep us going. We were down to nothing.

"It's getting worse and worse," she said, and not only with food. "This dress and the one hanging in the bathroom are the only two I own. I am down to two sheets and two towels. I buy one package of toilet paper at a time. I stand in the supermarket and look at the food I used to buy. I see the prices and I know I can't afford it, so I take my husband's hand and I say, come on, Ben, let's go. ...I never thought it would turn out this way. I don't know how much longer I can take it. Sometimes I feel like giving up."

# # #

When I got home that evening I noticed an article about hunger in a recent issue of a national magazine. At one point it said, "We should be castigating, embarrassing, isolating and punishing governments which choose to starve their people."

It was talking about governments overseas.

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STARVING IN THE SHADOW OF PLENTY

(By Loretta Schwartz-Nobel)

Ronald Reagan's chief advisor on domestic affairs announced in December 1980 that poverty has been virtually wiped out in the United States and that our systems of government aid have been a brilliant success.

Now, "Starving in the Shadow of Plenty" lays bare the horrifying truth. For the first time since Robert Kennedy traveled the muddy back roads of Mississippi and the war on poverty rose and fell, starvation in America is documented.

Loretta Schwartz-Nobel, twice winner of the Robert F. Kennedy memorial award for articles on hunger retraced Kennedy's steps and found that marasmus and kwashiorkor, the most extreme diseases of protein and calorie deficiency still exist in the United States today.

There are thirty million Americans living below the poverty line; most of them are groveling for food.

Loretta Schwartz-Nobel spent 7 years traveling across the country and speaking to the hungry in rural shacks, urban ghettos on Indian reservations and in previously middle class homes.

This book is their story told in their own words but it is also the story of Federal corruption and abuse. It documents the fact that the Government of the United States turns countless numbers of eligible and hungry people away from existing food programs and allows millions of pregnant women and infants to be malnurished and some to starve and die.

Beyond that, "Starving in the Shadow of Plenty" examines the ways that energy misuse, vanishing natural resources, ruined farmland, and soaring inflation are creating an extraordinary problem, one that combined with Reagan's budget cutting policies, could make hunger in America increase.

Finally this book makes it clear that this course can be reversed. If each of us accepts the responsibility we can end hunger in America and in the world. "Starving in Shadow of Plenty" explores local, national, and international methods for ending hunger.

Loretta Schwartz-Nobel, an investigative reporter based in Philadelphia, has written extensively on the problems of the disadvantaged. Within a three year period, 1975–1978 her articles won every major magazine journalism award in America. She is a contributing editor at Philadelphia Magazine and a Senior Policy Analyst at the Plymouth Institute, a nonprofit organization which examines critical social and political issues. She lives in an earth sheltered underground house in Gladwyne, PA with her husband and children.

NEARLY HALF OF HOSPITAL'S ADMITTED PATIENTS SUFFERED FROM NUTRITIONAL DEFICIENCIES

PHILADELPHIA, PA.—Of 2,000 consecutive patients admitted to the medical and surgical units of an urban community hospital, more than 44 percent displayed nutritional deficiencies.

This study was described at the 64th annual meeting of the American Dietetic Association, held here Sept. 21–25. The principal researcher was Bruce A. Freed, Registered Dietitian, of the Ravenswood Hospital Medical Center in Chicago.

On the basis of this study, the center has developed and initiated a hospital-wide admission nutritional screening program with the clinical dietitian in a central role.

Freed pointed out that because disease and death of hospitalized patients has been correlated strongly with abnormal nutritional parameters, every effort should be made to identify the patient at risk before medical therapy begins.

In the study, abnormal albumin levels were found in 14 percent of the patients. Abnormal total lymphocyte count values were found in 36.2 percent. Abnormal somatic index values were found in 11 percent; these include weight, triceps-skinfold thickness, and arm muscle circumference. Various combinations of deficits also were discovered. A total of 77 patients had abnormal values in all parameters studied.

[Reprint from the Philadelphia Inquirer, Feb. 10, 1982]

THE ARCHDIOCESE CAN'T KEEP UP AS POVERTY AND HUNGER SPREAD

(By Linda Loyd, Inquirer Staff Writer)

The handmade sign tacked to the door of dignified St. Mark's Episcopal Church, 1625 Locust St., read, "No food today. We have none."

For the first time in two years, the cupboard was bare for some of the needy of Philadelphia.

St. Mark's is one of 33 churches and community centers that receive supplies through the Roman Catholic Archdiocese's community food-distribution program, the largest network in the five-county area that provides bags of groceries for people in emergencies.

Until recently, supplies always had kept pace with demand. But beginning last month, that changed. The cold weather and the Reagan administration's cuts in welfare and foodstamp programs have sent thousands of needy Philadelphians looking for aid.

"Every winter we always see an increase in the number of referrals," said Mary Byers, assistant director of the archdiocese's emergency food-distribution program. "But this year it is markedly higher."

Unemployed workers and welfare recipients whose benefits have been eliminated or reduced have been flooding "food cupboard" distribution centers—the demand has overburdened staffs, exhausted food supplies and people are being turned away, sometimes empty-handed.

[The U.S. Labor Department announced last week that Pennsylvania's unemployment rate in January was 11.2 percent, the highest since 1970. Recent state figures showed that about 310,000 people from southeastern Pennsylvania were receiving benefits from Aid to Families with Dependent Children, the main welfare program funded by state and federal funds. About 10 percent of those recipients were expected to lose their benefits or have them reduced because of Reagan cutbacks.]

"For a time last week quite a few of our cupboards were either very low, or out of food," said Ms. Byers. She often handles the frantic phone calls from the Rev. Russell Bechtle of St. Mark's and others who call in to say they are out of food and still have long lines of hungry people outside.

"January was just an unbelievable month," said Anne Ayella, director of the archdiocese's emergency food-giveaway efforts. "It's true across the board. We're all in the same predicament. We have 33 cupboards in the five-county area, but there are a lot of other little cupboards out there, too.

"We find we're getting calls from them, saying, 'Hey, we're out of food, can we send our people to your cupboards?' Everybody's being hit harder because more and more people are turning to us for help," she said.

Throughout the city, charitable organizations that traditionally have provided hot meals to the destitute and homeless are being approached by what they call new kinds of people, those recently unemployed able-bodied men and women and those who have been out of work but until now were able to get by on public assistance.

"It used to be we were strictly helping people who were in major emergencies like fires or floods or deaths," said Ms. Byers. "Now an emergency occurs when your food stamps are three days late or if you just got laid off.

"Some of these people are just normal, average citizens—like the people on your block. We've also seen a marked increase in the number of people who are unemployed," she said.

St. Mark's food mission, catering mainly to street people in Center City and downtrodden South Philadelphia residents, has "increased phenomenally" since Thanksgiving, Father Bechtle said.

"We went from being a rather small food cupboard to being one of the major ones" after the Reagan administration social-service cuts in October, he said.

In January, 424 people came to St. Mark's Church for food, compared with 69 the previous January. "I do attribute it to the cuts, I don't know where else you can put it," he said.

One of those waiting in line yesterday for a bag of groceries said she began coming when her food stamps were cut. Margaret Murphy, 63, of South Philadelphia, said, "I get $192.70 from Social Security. I did depend on those food stamps, it helped me a lot. But I haven't received any since last month."

Mrs. Murphy was one of the lucky 16 who got groceries yesterday, before the cupboard became bare.

"This is all volunteer food brought in on Sunday," Father Bechtle said. In addition, he said that $150 in collections came in for food that "perhaps will carry us through the rest of the week."

But the food shortage has become so critical that Father Bechtle said he has taken to exhorting parishioners at the noonday communion service to bring food from home, or give money, and he will buy the food.

"We'll be able to open up tomorrow," the priest said yesterday. "I don't know how long we'll be able to continue."

"I called Mary [Byers] at the archdiocese. She said, 'We just don't have any food to give you, it's not there.' "

As for the future, the priest said, "The trickle-down theory may work in 100 years, but right now people are hungry."

STATEMENT OF PATTI WHITNEY-McCALL, FOOD LAW CENTER, SAN FRANCISCO, CALIF. AND WENDY GAREN, CRYSTAL STAIRS FOOD, INGLEWOOD, CALIF

Good Morning. My name is Patti Whitney-MCall and I am pleased to be here representing the Food Law Center in California. Our agency has been working with child nutrition and food stamp programs in the eight states overseen by the USDA Western Regional Office for many years.

Personally, I have been most involved in the Child Care Food Program for the past six years, providing technical assistance and outreach at the local level, monitoring at the state level, and writing the 1978 legislation designed to substantially improve the operations of the program.

My name is Wendy Garen, and I am directly responsible for the operation of the Child Care Food Program as program manager of an umbrella sponsorship for 570 family day care homes in metropolitan Los Angeles (an area including inner-city areas such as Watts and Florence-Firestone). I have personally been working with family day care homes for over 5 years, and with the Child Care Food Program since 1978. My agency, Crystal Stairs Inc., also serves South Central Los Angeles as a State-funded child care referral service and child care subsidy program. Because of the multi-service work of Crystal Stairs, my testimony reflects my own direct experience with the CCFP, as well as my broader knowledge of the structure, impacts, and importance of child care in low-income urban communities.

Our jointly presented testimony will discuss the importance of the Child Care Food Program in terms of the nutrition it provides, and also how the program as a whole provides a basic and necessary "fiscal safety net" for all child care programs. Our testimony will:

1) discuss the overall picture child care and social service reductions, which together create a disincentive for working poor families;

2) discuss the importance of the CCFP to child care centers, and what last year's reductions meant;

3) discuss the family day care food program, and the impacts of last year's reductions;

4) review the Administration's current Block Grant proposal for the Child Care Food Program, and what this proposal would mean in estimated impacts.

1. DECREASING WORK INCENTIVES DUE TO CHILD CARE CUTS

The impacts of last year's CCFP cuts are only now trickling down in the communities of this nation: everywhere, child care programs are being forced to cut-back nutrition and other services to children, raise fees to parents, or close services entirely. These impacts, together with other federal cut-backs, reduce the work incentive for working poor parents. I'd like to explain why this is so.

Cuts in the CCFP directly affect the cost of child care--they make low cost child care even harder to find. The reason for this is that over 70% of the cost of providing child care in centers is wages. Furthermore, 2 out of 3 center-based care-givers annual earnings are below the poverty level, with fully 92% falling below the Dept. of Labor low income budget.[1]

Child Care centers are regulated to ensure they provide enough staff, so few staff can be laid off to reduce costs. Further, given the low poverty-level wages paid to child care workers, salaries cannot be further reduced.

In family day care, 87% of all providers earn below the minimum wage, 94% have earnings below the poverty line, and 99% are below the low-income level.[2] With food being the major out-of-pocket cost in providing family day care, it is clear that reductions in CCFP reimbursements will either increase the cost of child care, or shrink the availability of this type of care by making it financially impossible to offer the service.

The 1977 national average cost of one child in center-based child care was $136.77. This figure is somewhat lower than true costs of care, as it does not account for the in-kind contributions of about 12% to center operations, including CETA staff, volunteers and other donations, which all act to suppress the cost of care to parents. Adjusting this figure for inflation, the current cost of center-based care in 1982 dollars is $219. for one child in care.

The average cost of licensed family day care in 1977 was about $105.35 monthly for one child in care. Family day care monthly costs are now about $169.33 per child in 1982 dollars.

Reductions in other programs severely reduce the ability of working poor families to pay the increased cost of child care resulting from CCFP cuts. For example, the 1981 Reconciliation Act placed a cap (regardless of the number of children) of $160 on the amount of deductible child care expenses for AFDC benefits. And many mothers (whose income exceeds 150% of the State need standards) no longer receive any AFDC benefits whatsoever.

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[1] "Day Care Centers in the U.S.: A National Profile 1976-77" by ABT Asssociates, prepared for the Day Care Division, Administration for Children, Youth and Families, OHDS, USDHEW, December 1978.

[2] "Family Day Care in the U.S. Final Report of the National Day Care Home Study". DHHS Publication (OHDS) # 80-30287, Sept. 1981.

In the Food Stamp program, child care expenses have little impact on food stamp benefits, as there is a maximum deduction of $115/month allowed for high shelter and child care costs combined. Most households do not get to deduct child care costs fully, because the shelter costs effectively "crowd out" child care costs. A Congressional Budget Office analysis last year found that 75 percent of child care costs incurred by working food stamp families are effectively not recognized and therefore not considered when food stamp benefits are computed.[1]

The low-income working poor are the group that is most adversely affected by the 30% cut of last year in the Child Care Food Program. About 75% of the children receiving CCFP benefits are poor or near poor, with about 90% of all CCFP funds directly supporting meals for poor or near poor children.

As the above section has shown, these working poor families are the biggest losers in human services reductions in the federal budget. Many child care centers and family day care homes will be forced to close. As the impact of reductions in the CCFP forces the costs of child care up for remaining programs, "working mothers will have to choose from among several poor alternatives. They will have to 1) shift dollars from food, clothing, shelter or other parts of the household budget in order to maintain the same level of child care services; 2) reduce the amount of child care uses; 3) leave the children alone for longer periods; or 4) leave them alone at younger ages. Many mothers may have to combine these forced solutions."[2] It is important to note that unsupervised, "latch-key" children run a much greater risk of problems in school, delinquency, and concerns for their health and safety.

The tragic consequences of "latch-key" care for young children were dramatically illustrated in Los Angeles this year. Jeanette Williams, a mother forced to work nights in a box factory so she could stay off AFDC, left her pre-school children at home unsupervised. While at work, the sleeping children burned to death in a horrible fire. This tragedy could have been avoided if more affordable child care was available to women like Jeanette Williams.

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[1] This information provided by Robert Greenstein, Director, Center on Budget Priorities and Policies.

[2] From January 20, 1982 Memorandum, National Opinion Research Center, University of Chicago, 235 Mass. Avenue N.E., Washington, D.C.

Overall, the Child Care Food Program reductions--which lead to higher child care costs--reduce the gains from working at low wage jobs. The dramatic reductions in the CCFP are a significant factor contributing to the erosion of work incentives for low income working mothers. The increased cost of working will lead the working poor to increasingly choose to stay home, increasing federal outlays on other federal programs.

2. DAY CARE CENTERS

A. Who the Child Care Food Program Reaches with What

According to USDA statistics, the CCFP feeds well over 700,000 meals daily to children in child care settings. The vast majority of the children served by the Child Care Food program are under the age of six. Most of the program funds go directly into feeding meals to children.

Of the approximately 43.8 million meals served in fiscal year 1980, 83% or 36.4 million meals were served at a free or reduced price to needy children. This should clearly indicate that the Child Care Food Program is cost effective and that the intent of this program to reach the truly needy is being met to a very great degree.

A recent study of the Child Care Food Program by Abt Associates, Inc., which was legislatively mandated, supports these findings. The Abt study, still unreleased by USDA 14 months after completion[1], taken from a broadly representative national sample, reports that:

> Potential reimbursement is a key factor influencing a day care center's decision to participate in the CCFP. A center's reimbursement ceiling is determined by the income distribution of children served and the pattern of meals and supplements provided. The higher the reimbursement ceiling for a day care center, the greater the probability that the center will participate in the CCFP. Participating and nonparticipating centers serve different populations. Participating centers serve proportionately far more low-income children than non-participating centers.

In other words, since centers with large numbers of needy children receive more reimbursement, they are more likely to participate. Thus, the program's design is successful in reaching those most truly in need.

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[1] The Abt study cited, "Evaluation of the Child Care Food Program", was prepared under contract number 53-3198-9-40. It was reviewed in draft form.

B. Impacts of the Child Care Food Program on Children Served.

During the Abt study, the Child Care Food Program provided for up to five potential meal types a day - three main meals and two supplements.

This meal pattern was designed especially for the young, pre-school aged child for which this program provides most of its benefits. Nutritionists and pediatricians stress the importance of providing frequent small meals to young children because of their small stomach capacity and short attention span. Snacks are an important element of the total meal pattern for young children. It would not be facetious to say that for young children, a good rule is "little meals for little people". For the children in day care,the meals provided from 50% to 100% of their total daily intake of food.

It was been proven over and again that the most critical developmental years in a person's life are the years from fetus stage through age five. This was the main reason that the WIC (Women, Infants and Children) program was initiated. The CCFP is also a preventative program for young children, helping provide a strong nutritional foundation for the early years.

The Abt study strongly documented the successes of the CCFP in providing higher quality nutrition to the children served. Some significant Abt findings were:

- Meal quality is significantly higher in participating centers than in non-participating centers. The food served in participating centers is more nutritious and exhibits more variety than that of non-participating centers. In participating centers, the pattern of interaction among caregivers and children at mealtime tends more often to foster consumption and nutritional awareness than in non-participating centers.

- CCFP participants provide significantly greater variety in the types of foods used for all meals and snacks; participants less frequently engage in the practice of repeating the same meal or snack over a period of days.

- CCFP participants provide significantly greater amounts of fruit, 100 percent fruit juice and vegetables, across all meal and snack types.

- Participants serve significantly fewer concentrated sweets and sweet dessert foods, especially for snacks, thereby supplying significantly lower levels of sucrose.

- Participants serve significantly greater amounts of milk.

Abt also indicated that centers in the Child Care Food Program were twice as likely to offer a breakfast to children as non-participating centers. Thus, because of the high quality and nutrient content of CCFP meals, children were being afforded the opportunity to fully develop their bodies and minds without the disadvantage of a hungry stomach.

A May 1980 Congressional Budget Office report recognized that improved diets, as evidenced in the CCFP, contributed to a child's intelligence, and ultimately to years of formal schooling completed, market wage rates, and hours of work.

The CBO report also relates the importance of the CCFP benefits in circumventing later health hazards.

> It is possible, that marginal nutritive intake and poor dietary habits during childhood may be related to the major health problems of today's adults: heart disease, some forms of cancer, stroke and hypertension, diabetes, arterioschlerosis, and cirrhosis of the liver.

The WIC program has clearly demonstrated the correlation between nutrient intake and lowered infant mortality rates. In the same way, the CCFP, when looked at over a span of a generation, should reveal striking differences and improvements in the adult's health who once received program benefits.

C. Affects of the Current Round of Cuts on Day Care Centers.

According to current USDA statistics, the Child Care Food Program suffered a 34% decrease in funding. This figure does not take inflation into account. Neither does this figure take into account who was hit hardest by the cuts.

One of the major cuts occured through the elimination of two of the five meal types. Centers are now only allowed to serve a maximum of 2 meals and one supplement. Remember, as cited above, that these represent small meals for small children. Obviously, those centers most affected by the reduction in meals are those who served the five meal types. Those centers serving the full meal complement did so because the children they cared for are at their center for 10 - 12 hours a day, and the only nutrition they receive during the day is at the center. Those most hard hit by this reduction were centers who served large numbers of children from working poor families. These are the families that must travel long distances to work, thus being forced to leave their children for many longer hours in the day care setting.

For All Saints Preschool in Los Angeles, these meal cuts were devastating when added to the other CCFP cuts. Other cuts included reducing meal reimbursement amounts, using outdated income eligibility forms, eliminating the hardship deductions, and lowering the age limit to 12 years.

All Saints Preschool serves a low-income, multi-ethnic community. The parents are primarily poor, 80% Hispanic, 10% oriental, and 10% mixed ethnicity. Eleven of the forty-one children come from single-parent families. Previously, All Saints served and was reimbursed for breakfast, lunch and dinner. Now they can only claim a snack in the late afternoon, instead of dinner. All told, All Saints' reimbursement went from about $3,000 a month to $1,500 a month -- a 50% reduction.

Prior to food program reductions, All Saints was able to offer a scholarship program, offering child care at a reduced rate to especially needy parents. This program was dropped January of this year, along with the laying off of two aides. Now the teachers must prepare the meals, as well as look after the children. This takes away from instructional time. At least one family is being forced to drop out of the program, because of the loss of the scholarship program. All Saints regular rate for child care is far below the national average: All Saints charges $37 for one child per week.

All Saints is not able to raise their rates, because most of the parents could not afford an increase. Some of their working poor parents no longer receive AFDC benefits because of cuts in that program last year. Thus, All Saints has been limping along on credit. They have substantial unpaid bills, the produce supplier has cut off their line of credit, they can't afford any supplies, and are borrowing limited materials from the library, and they have an unpaid Workmen's Compensation billing. All Saints Preschool is determined to stay open until June, but they fear that their debts will force them to close.

This is not an isolated instance. Centers throughout the country, and especially those who serve the working poor, are faced with the same problems. With Congress constantly rolling back reimbursements and using outdated poverty scales, many truly needy working parents cannot afford to pay extra for their child, or to send adequate meals along to the day care program.

In the eight Western states surveyed by the Food Law Center, day care centers consistently cited as their options:

- elimination of needed meals, resulting in crankier, undernourished children.
- reduction in variety and quality of meals.
- increased charges to parents, many of whom may have to drop their children from care.
- elimination of needed staff positions.

Many of these options fly in the face of the positive nutritional findings in the Abt study. Wah Mei School in San Francisco, California, reported that:

> We have eliminated the A.M. snack--and only serve water. The children are much hungrier at the end of the day with the cut-backs. Parents have commented on an increase of asking for sweets after school...private students will start paying for lunches (in June) or bring their own lunch. We have emphasized nutrition education in school, and in our menus--with children bringing in their own lunches, we anticipate their bringing in coca-cola, chips, sweets, and other junk food that has never been a part of our food program

Wah Mei serves 67% low-income children. The Head Start program in Ukiah, California was forced to close three of their six sites because of the food program cuts.

In Flagstaff, Arizona, a center served by the school district received notice of a 50¢ increase in the cost of their lunches, while reimbursement rates were actually reduced. They have no means to pay for the increase.

These stories are echoed by centers from every state surveyed and by centers throughout the nation. Attached are addendums citing further cases.

By now it should be clear that last year's round of cuts were deep, and that those most severely affected were low-income centers serving low-income children from working poor families.

These cuts are essentially turning day care food programs back a generation. The children still need to be fed, but quality and quantity are suffering tremendously, and health and behavior problems will flourish in our young children.

3. FAMILY DAY CARE

A. What Is it and Who Does it Serve?[1]

Very little scientific data existed describing family child care until September 1981, when the Administration for Children Youth and Families (DHEW) released Abt Associates' 4 year nationwide study of urban family day care. The National Day Care Home Study (NDCHS) helps estimate the impacts and importance of the Child Care Food Program, since it shows the benefits of the program in context. This section will describe family day care: discussing the quality of care, who is served, and the profitability of family day care as employment to the women offering the care.

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[1] All of the data in this section are from "Family Day Care in the U.S.". Full cite presented earlier in this testimony.

Family day care is non-residential child care provided in a private home other than the child's own. Regulated family day care (providers who are licensed or registered, and monitored to help ensure the health and safety of children in care) accounts for about 6% of all family day care. Only licensed providers may participate in the CCFP. About 73,750 licensed homes are operating at a given time, serving about 304,000 children, at an average of 4.1 children per home.

o What about the Quality of Family Day Care?

The Abt study found that family daycare provides a stable, warm and stimulating day care environment. In-home observation data found that providers spend a remarkable two-thirds of their day in child-related activities. It also found that family day care provided developmentally appropriate child care. Parents using family day care reported that it satisfactorily met their child care needs. This important study showed family day care to be quality child care for young children.

o Who does Family Day Care Serve?

The families using family day care are poorer than other comparable families. The 1977 income of parents in the National Day Care Home Study was lower than the national average, with about 40% being single-parent families. Family day care helps meet the need for care of very young children, and it predominantly serves children from birth to three years of age.

o Profitability of Family Day Care as a Business

Finally, food is the caregiver's major out of pocket cost. This becomes especially important to consider when evaluating the impacts of the CCFP benefits and the cut-backs of last year. Caregivers earned a yearly average of $2,614. in 1977, substantially below the poverty level. The net hourly wage for licensed care was about $1.50/hour. Compare this to the minimum hourly wage of $2.30. As stated before, in 1977 eighty-seven percent of all caregivers earned wages below the minimum wage; 94 percent had earnings below the poverty line, and 99 percent were below the low-income line. Providers work exceptionally long hours (often 50 to 60 hours per week), make very low wages, and are not paid for sick or vacation time.

It is quite clear that the reimbursement provided by the Food Program provides a basic support for the availability of adequate child care.

B. What Participation in the Child Care Food Program Means

1. Affordable Child Care

As noted above, family day care providers work for very low wages providing affordable child care to low-income parents. Food is the major out-of-pocket cost associated with providing care. Because food costs represent a very high cost with respect to gross incomes, caregivers have been increasingly enrolling in the Child Care Food Program. The CCFP provides the only major source of government support to providers of care for our youngest children, and it helps keep child care affordable. Clearly, providers earning below the Poverty Line cannot afford to subsidize the provision of child care more directly by offering meals as part of their child care services. They need the reimbursement provided by the Child Care Food Program to provide adquate affordable child care, at a wage that makes it worthwhile to offer the service.

2. Quality of Child Care as it Relates to CCFP Participation.

Participation in the CCFP helps enhance the quality of the child care provided in family day care. Homes are provided with technical assistance and training through the umbrella sponsoring agency. The NDCHS recommended that day care systems (including CCFP umbrella sponsorships) should be promoted. This study found:

> that day care systems play an important role in promoting quality care by maintaining desirable enrollment levels, monitoring regulatory compliance, training caregivers, providing technical assistance... (further) the child benefits from improved nutrition in programs subsidized under the CCFP, and from the skilled care of a trained caregiver."

Monitoring of homes is an important aspect of the CCFP, as it both provides an opportunity for training, and it also helps ensure accountability. Many states are cutting back on monitoring visits due to state budget reductions. For example, yearly monitoring visits were reduced this year to 10% random sample visits in California, and 15% in Oregon. This means that a provider might never receive a monitoring visit from the licensing agency beyond the initial visit required for licensing. Home-visits made as part of the CCFP take on an added importance with these state level reductions. Home visits contribute to the safety and quality of child care in family day care homes.

3. Nutritional Quality

A draft of the as-yet unreleased Abt study of the CCFP shows that the program's impact on the nutritional quality of the diet provided in family day care homes is strong.

First, homes participating in the CCFP serve more meals and snacks. Second, the meals provided have a higher level of calories and nutrients that do meals served by non-participants. Nutritional quality is discussed at length in the section of this testimony devoted to child care centers.

The conclusion of the study states:

> The primary goal of the CCFP is to provide nutritious meals to children in day care, in an attempt to improve the quality of their diets. Perhaps the single most important finding of this study is that the CCFP is meeting this objective.

It should be noted that the provision of adequate nutrition is particularly important in family day care, where low-income children often receive 70 to 100% of their nutritional intake. They are often in care as much as 10 or 11 hours per day. Many providers mention that their children have more energy, learn better, and have fewer colds and illness since they began participating in the CCFP.

C. The Effect of Last Year's Cuts

The substantial reductions due to last year's reconciliation budget affected the children and families served in family day care, as well as the ability of Sponsor's to continue to offer the program. The data come from a survey conducted in eight states by the Food Law Center, as well as contacts that I have had with other Sponsors nationwide.

o Availability and Quality of Meals

The cut back to two major meals and one snack was especially difficult for family day care providers, because of the long hours children are in care. Many homes are unable to continue to offer as many meals as they were before the cut-backs. Many low income parents are not able to provide enough meals to substitute for the efforts of the family day care home.

Companeros del Barro, a sponsor in San Francisco serving very low-income Hispanic parents stated, "The biggest problem is that proivders are not being reimbursed for meals they serve. They are already low paid, so they are paying for the meals out of their own pockets."

Many sponsors report that the homes they serve are simply being forced to serve fewer meals, and that the meals they continue to offer are reduced in quality, variety and quantity. Some homes can no longer offer children second servings. Others have had to ask hard-pressed parents to provide additional meals, or to contribute food-stuffs to the meals served.

o Availability and Affordability of Child Care

Other sponsors report that homes have responded to the 30% decrease in available meal reimbursement by raising their fee for child care. This increase places a heavy burden on the working poor, particularly single parents.

One sponsor in California wrote "the Homes will have to raise their rates to compensate for the losses. To low-income families, where our child care subsidies are set on a sliding scale for income, many will not be able to afford to pay the difference between our reimbursement and the care costs-- (and they) will be forced to drop their job and go on AFDC. Older children will become latch key children (unsupervised)."

Thus, the funds provided by the CCFP clearly act as a "lever", helping to keep child care affordable for the working poor. When this "lever" is withdrawn or reduced, many parents simply cannot afford to keep working. The disincentive of high costs of child care become great enough to force these parents back onto welfare roles. Surely this cost is greater to the government than the marginal cost of reimbursing providers for meals?

Finally, many providers are finding it difficult to stay in business. One rural sponsor (Rainbow Child Care Council of Napa County, California), stated, "Our providers are finding it more difficult to stay in the black, because they are serving (as many) meals as before. Eventually, some of them may quit because they are making no money--they charge very little.

o Effects on the Ability of Sponsors to Offer the Program

Several impacts on sponsors flow from the budget cuts of last year. The most significant of these stems from the increased over-sight responsibilities required by the cut-backs. For example, sponsors must now audit:

--the age of the children claimed (children over 12 are no longer eligible. Since children continue to mature, their eligibility by age must be closely monitored each month),

--the number of meals claimed,

--income eligibility documentation for the provider's own children,

--the overall licensed capacity of the provider, insuring that no meals over capacity are reimbursed,

--many states regulate the number of children a provider may care for under the age of two. This age limit must also be monitored.

All of these additional monitoring and over-sight efforts cost sponsors staff time, which directly increases sponsor costs.

In addition, the changes to the program do not happen "magically". Sponsors must spend much time and effort on technical assistance to homes, notifying them of changes made in the program due to budget reductions.

Many homes do not easily understand the changes, and therefore submit monthly claims which must be carefully reviewed, and then revised. For example, at least 30% of the claims to Crystal Stairs, my own program in California, claimed more than 2 meals and one snack in September. There has just not been enough time for them to assimilate the changes. Many hours were spent contacting providers and making corrections.

Another problem is those homes that have been forced to terminate their participation in the program. This creates a stability problem for sponsors, who (like all businesses) have fixed costs related to offering the program. Thus, while the rent remains the same regardless of the number of participating homes, the level of sponsor income declines as homes decide that participation is no longer cost saving, due to reduced program benefits. Sponsors can only maintain a steady state by continuously doing outreach, recruiting replacement homes. However, this effort, too, creates expense. Many sponsors mentioned this problem in their responses to the Food Law Survey.

Finally, some sponsors offer the CCFP as part of an overall subsidy program for child care. For example, in California, the State provides funds to pay for child care for low-income working parents. When the CCFP funds are reduced, this means that available State dollars cannot subsidize the same amount of care. In other words, less child care is provided for the same dollars. Coordinated Child Care in Riverside County has already found they now can provide care for fewer needy children, due to the lost child nutrition reimbursement. Home-Safe, Inc., a Los Angeles child care subsidy program serving single parents and families in crisis has compensated for the September cut-backs by paying an additional $450 per week to cover the funds lost. As Home-Safe already has a $30,000 program deficit, and was already subsidizing CCFP operations due to inadequate administrative reimbursement, their program is unsure if they can continue to offer nutrition.

In sum, sponsors have been severely impacted by the budget cuts of last year. Many sponsors have found that the changes brought about by last year's reductions required much additional work and over-sight responsibilties. They have also found that these changes have increased the amount of staff time--and consequently adminstrative costs--that is required to operate the program.

d. Administrative Reimbursements for Umbrella Sponsors

To exacerbate the already grim picture of how sponsors of homes are struggling to survive with the aforementioned cuts, one additional cut has just recently taken affect through the late USDA publication of regulations.

Congress directed USDA to implement a 10% reduction in administrative reimbursements for umbrella sponsors of family child care homes.

But, USDA is implementing a cut of approximately 23.5%. This is because the reconciliation language has been incorrectly interpreted by USDA to mean a 10% reduction of funds based on the amount actually paid out to all sponsors in the previous year on a nationwide average. This USDA proposal does not recognize the differences in sponsor size or geographic location.

Furthermore, USDA cited that only 80% of the administrative rates available nationally are being claimed. However, in California, which represents about 20% of the program, 130% of the administrative rates were claimed during fiscal year 1981.

This leads us to conclude that either USDA is using faulty data to begin with or that the national average has grossly skewed and misrepresented the actual spending of sponsors.

We know that many of the Senate Agriculture Committee members are already aware of this deliberate USDA misinterpretation. We would like to extend our deep thanks to those of you, Senators Dole, Hayakawa, Boschwitz and Leahy, for sending your January 21, 1981 letter to Secretary John Block. Your letter strongly reprimanded USDA for their misinterpretation of the reconciliation instructions. Your letter was greatly appreciated by the dozens of sponsors who wrote directly to the Committee.

Obviously, the letter was put aside, since the regulations were subsequently published on January 26, 1982. USDA made no mention of the controversy surrounding their interpretation. It seems obvious to us that beyond that misinterpretation, USDA is indeed using faulty data in arriving at the 80% claiming figure. We will be pursuing independant data from several other key states, and would urge each of you to continue your protest, since the implementation of these Interim Regulations could well result in the further deterioration of a quality, accountable food program for children in family day care.

To drive the point home clearly with an example of the impact of these retroactive administrative cuts, let me share with you the impacts of these cuts at Crystal Stairs.

Crystal Stairs, Inc. has been a Child Care Food Program umbrella sponsor for licensed family day care homes since

July 1980, serving children in the neediest areas of Los Angeles and Orange Counties. In November 1981, 448 homes actively participated in the program, serving about 2,924 children. In that month we served 27,105 breakfasts, 33,954 lunches, 43,344 snacks and 15,920 dinners.

Crystal Stairs requires the maximum administrative reimbursement rate to serve these constituents, and we use all sorts of techniques to operate efficiently. In fact, if it weren't for the cost-efficiency of Crystal Stairs as a whole, administrative costs would greatly exceed the funding available. For example, we save on postage by distributing forms at monitoring visits. We use bulk rates as often as possible. We also borrowed techniques from business. Our field staff, which actually visits and monitors homes, are part-time staff, paid on a flat "per visit" rate. They receive only the required minimum fringe benfits. This reduces our costs of compliance monitoring by approximately 20%.

Beyond the actions necessary to achieve a 10% cost reduction, there is not one further cost reducing action that we can take without contributing to unemployment. We would also fall out of compliance with the minimum standards set by USDA. We are forced with a choice of among the following options:

- failure to review menus
- failure to analyze claims for payment (in relation to licensed capacity, shifts, and enrollment documentation)
- failure to provide sufficient technical assistance and training
- failure to monitor sites
- failure to complete the claim on a timely basis
- failure to pay providers (when funding is on hand) on a timely basis

Each of these options would result in audit exceptions, which ultimately threaten the viability of the program and our corporation as a whole.

USDA must be forced to rescind these program-killing regulations before the impact is felt on the children whose meal reimbursements will be lost. We urge the Senate's continuing pressure as regards this critical issue.

4. THE ADMINISTRATION'S BLOCK GRANT PROPOSAL[1]

The cuts from last year are damaging to the integrity of the program, and have already gone too far. Low-income children in child care are being deprived of needed nutrition, and their parents cannot afford increased child care costs.

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[1] Portions of this section were taken from the Child Nutrition Block Grant factsheets written by the Center of Budget and Policy Priorities.

Yet, the Administration has proposed to cut the school breakfast and child care food programs by about one-third, and then merge them into a block grant. These cuts would be on top of cuts of 30% from last year in the CCFP, and nearly 20% in the breakfast program. Most of those affected would again be low-income children. This proposal is simply untenable.

Centers and homes already have no lee-way in preparing meals for the children they serve. In fact, they are already hurting beyond belief, and what the program truly need are the restoration of funds cut last year.

Nutrition programs, which account for 2% of the overall budget, suffered 10% of the cuts. This amounts to five times the amount they reasonably could be expected to shoulder.

If no cuts had been made last year, these two program would have cost $950 - $975 million in fiscal 1983. As a result of last year's cuts, the programs are expected to cost about $735 million next year if no further cuts are made. The new proposal is to combine them in a block grant at a $488 million funding level. This represents a new cut of 33%, and an overall reduction of 50%, when the combined impacts of last year's cuts and the proposals for further cuts are considered.

The Abt study detailed the value of the Child Care Food Program in the statement:

> The differences in the quality and quantity of foods served appear to be directly related to the effect of CCFP meal pattern regulations on food choices made by participating centers and homes.

This important program, so basic to the health and well-being of our nation's youngest children, deserves individual entitlement status.

This program has been of great value to the day care children throughout the United States. USDA directly administers the program in 12 states. It is likely that some of these states would use none of the Block Grant funds for child care programs. Furthermore, in some states, the Department of Education is prohibited by law from disbursing funds to private institions. Both private non-profit and parochial schools, as well as day care programs, would simply be cut off entirely from program benefits.

Most importantly, the biggest losers would be the working poor. The cuts in support for low-income day care institutions would make low-cost child care harder to find. These parents would generally have to pay more for child care at the same time that their benefits in other programs (such as AFDC and food stamps) are being cut. Increased child care costs reduce the gains from working at low-wage jobs. The sharp reductions in the child care food program would be one more factor contributing to the erosion of work incentives for low-income working mothers.

Parents must work in order to make ends meet; part of the support they need is affordable child care. But the Block Grant proposal will undermine the provision of child care services.

There is no logic in combining the school breakfast and child care food programs into a block grant. The program with which the breakfast program is most closely allied is the school lunch program, not the child care program -- but school lunch would not be in the block grant while the child care program would be. The breakfast program and the child care food program are run by different institutions at the local level, and in some places are even administered by different departments at the state level. It is hard to envision how any efficiencies or economies could result from the block grant.

The school breakfast/child care block grant was an "11th hour" proposal hurriedly thrown together in the Administration in late January as an alternative to further cuts in reimbursements for non-poor students in the school lunch program. After planning for months for further school lunch cuts, the Administration wisely backed off the idea at the last minute -- but then substituted this equally unwise block grant proposal instead. The Administration may have concluded that because most families in the breakfast and child care programs are poor, these programs are more vulnerable than school lunch.

We think that this testimony has proven that the Child Care Food Program is a basic and valuable program, and that the cuts from last year were of "bone" and not "fat". To further reduce this program will seriously affect the health and well-being of the children in the United States. Further program cuts will also make it more difficult for working poor parents to continue employment.

The Senate recognized the value of the Child Care Food Program when it was granted permanent entitlement status through the Child Nutrition Amendments of 1978. We are sure that you will recognize that the program has already suffered very deep cut-backs which are only now being felt at the local level, and that no further cuts to this important program can be considered at this time. We urge you to seriously consider restoring funding to the Child Care Food Program.

Continuing Development Incorporated
1188 Wunderlich Drive, San Jose, CA 95129 408-725-1717

CCFP REVENUE PER MONTH

	August, 1981	January, 1982	Consequences to Program
Public Child Care Centers serving 610 children 7 Centers	$10,000.00	$6,000.00	1. Request for additional funding from California Office of Child Development 2. Use of Office office of Child Development budget to make up deficit.
Private Child Care Centers serving 740 children 5 Centers	$11,000.00	$2,600.00	1. Increase in tuition. 2. Reduction of cooks' hours, increase work load of child care workers for food preparation. 3. Possible withdrawal from program with no nutrition supplied at center.

Consequence to Sponsor:

1. Decrease in possible nutrition education available to centers
2. Reduction in number of visits to each center.

U.S. Senate,
Committee on Agriculture, Nutrition, and Forestry,
Washington, D.C., October 27, 1981.

Mr. James A. Baker III,
Chief of Staff and Assistant to the President,
The White House, Washington, D.C.

Dear Jim: There is speculation that the Administration is planning to propose, as part of its next round of budget cuts, a total elimination of the subsidy to "paying" students in the National School Lunch Program.

When the Administration proposed this method of achieving savings in the area of child nutrition programs last time around, the input from the local level on the potential impact caused a great amount of concern among members of Congress. In marking up legislation to achieve savings called for in the First Concurrent Budget Resolution for Fiscal Year 1982, no member of the Senate Committee on Agriculture, Nutrition and Forestry even suggested the Administration's proposal to terminate the subsidy to "paying" students. As you know, Congress did agree to reduce substantially the subsidy to the paying child, but specifically rejected the Administration's proposal to eliminate it entirely.

A total elimination of the subsidy to "paying" students participating in the National School Lunch Program could have a devastating effect on the viability of the Federal program. Over 90 percent of all the schools in the country participate in the National School Lunch Program. This year, schools will receive 21.5¢ in Federal general assistance toward each lunch served (11¢ in USDA-donated commodity support and 10.5¢ in cash). This 21.5¢ represents a 40 percent reduction in Federal assistance. The 21.5¢ subsidy is not a subsidy directly to non-poor children, or the "paying" child—it is a grant-in-aid to the schools to help defray the cost based on total student participation, regardless of income.

In thousands of school districts throughout the country, less than one-third of the students are eligible for free or reduced price lunches. According to last year's figures, about 55 percent of all school lunch participants are in the "paid" category: they are children whose parents' income exceeds 185 percent of poverty (or about $15,600 for a family of four).

Those at the local level who administer the program and are most familiar with how it works argue that a complete elimination of general assistance for lunches served to "paying" children would cripple the Federal lunch program. There is substantial evidence to support their point of view. The loss of the Federal reimbursement would result in sharply rising school lunch costs for these children, with resultant high dropout rates and potential program termination. Thus needy and nonneedy alike would fail to receive Federal support.

When the Administration first proposed significant reductions in school lunch funding, it also listed this as one of the seven "safety net" programs. If the Administration continues to consider this a "safety net" program, we suggest that it consider other alternatives to the elimination of the "paid" lunch subsidy in order to achieve the needed level of savings. We would like to make members of our staff readily available to discuss options with the Administration.

It seems to us that the Federal savings that would be gained by eliminating the "paid" subsidy are more than overshadowed by the severe consequences it could have for the program, and therefore the Administration. We feel certain this proposal would fail dramatically in Congress. In short, as members of the Senate Committee on Agriculture, Nutrition, and Forestry, we are deeply concerned about the program and the political consequences of such a proposal. Because more viable options are available, we wanted to share our concern with you before the Administration is irrevocably committed to an option which is certain to fail.

Sincerely,

Jesse Helms.
Bob Dole.
Thad Cochran.
S. I. Hayakawa.
Rudy Boschwitz.
Roger W. Jepsen.
Paula Hawkins.
Mark Andrews.

Hunger Organizing Team,
813 S. Hope Street,
Los Angeles, Calif., February 16, 1982.

Dear Sirs: I am a Child Nutrition Specialist working for the Hunger Organizing Team of the Southern California Ecumenical Council. I work with all of the Child Nutrition Programs, doing outreach, offering technical assistance and monitoring for quality and efficiency. As part of this work, I regularly come into contact with child care centers in low-income areas of Los Angeles County which are participating in the Child Care Food Program. To give you a picture of both the effects of the recent cuts and the potential effects of the Administration's proposed budget cuts, I recently surveyed eleven sponsors of the Child Care Food Program in child care centers spread throughout the poorest areas of a county that contains roughly 10% of the nation's poor. Here are a few of their stories.

Approximately 50 percent of these sponsors are also participants in the State of California's program for subsidizing child care costs to low-income parents. When these centers receive funding cuts, they are prohibited from making up the difference by raising tuition. They must subsist on the subsidies that they receive through the Office of Child Development of the State Department of Education and they must feed their children on the reimbursements that they receive from the Child Care Food Program. When government funding is cut back, these centers have serious problems maintaining programs. As Patricia Villanowith of East L.A. Child Care describes "We're being hit from all sides in funding. The first step is reduced meal quality and decreased or eliminated nutrition education." For all of the centers interviewed, the second step is uncertain and potentially drastic.

Parents with children at the State-subsidized Johnny Tillmon Child Development Center in economically depressed Watts often have to travel long distances to find even minimum-wage work. The recent limitation to two reimbursable meals and one snack means hungry children waiting at the center. According to Evelyn Randles, Director, "there is nowhere that we can see to turn to subsidize that extra meal or snack, but I just don't know how to take food from infants."

Another subsidized child care center at Compton College only serves the reimbursable number of meals but finds the recently reduced rates insufficient to cover basic costs. Loetta Taylor administrator, says that recent funding cuts in education make it less and less likely that the College will continue to pay the food program's remaining costs. Without the food program, the State subsidy would be insufficient to meet the Office of Child Development's requirement that the enrolled children be fed nutritious meals and snacks. As Leah Stachow of the International Institute's Child Care Center puts it, "Further cuts in the Child Care Food Program would jeopardize our whole program. The center might have to close." This combined State/Federal program is the lifeline for many low-income parents struggling to stay in the workplace.

The Head Start Program is supposedly a program dear to the President's safety net. In Los Angeles County, the Head Start Program serves 13,000 children and 98 percent of them are eligible for free or reduced-price meals. Cuts in payment rates have already forced their food service program to become increasingly dependent on the use of basic Head Start funds. Janis Brown is the food service director of the Head Start centers operated by the Latin American Civic Association. These centers serve 921 children and 100 percent of them are eligible for free or reduced-price meals. According to Ms. Brown, "The Child Care Food Program is currently only paying for food and supplies. If there are more cuts, either we would have to start cutting food and supplies or we would have to take money from the educational fund." According to Laurie Carter, Central Administrator for L.A. County Head Start, "It is becoming a battle between the quality of the educational program and the children's physical ability to learn from it. If there are more cuts, Head Start centers will cease to be about the business of educational opportunity and will begin to be just day care centers."

At the same time that these sponsors are attempting to deal with reduced funding, other recent legislative changes have increased and will increase their administrative burden. For the International Institute, the elimination of tiering has been an administrative nightmare. Ninety percent of the Institute's 200 children are eligible for free or reduced-price meals. Under the tiering method, their high percentage of low-income children allowed them to receive the same rate of reimbursement for meals served to all children. Now to receive the maximum reimbursement possible they have to keep track of each meal served to each individual child, and if reimbursement is still inadequate, they may have to become a pricing program, instituting payment collection and recording procedures.

The legislative demand for increased verification of applications is another administrative horror. The Johnny Tillmon Child Care Center has already been struggling with an increased load of applications to process caused by a combination of federal changes and the rapidly changing economic circumstances of parents hit by climbing unemployment and decreasing government assistance. There is just not sufficient staff or time available to verify all of these applications.

For the small, largely church-operated centers not receiving State monies, the situation is worse. As a result of recent cuts, Bene Preschool in South Central Los Angeles must raise tuition by 28 percent to maintain its program. The tuition will now exceed the child care deduction given to working mothers on AFDC. Other low-income parents will also find it hard to impossible to continue participation. If enough parents leave or if there are more cuts, the center will close. The addition of the closing of small centers like Bene to the long waiting lists at the subsidized centers equals parents unable to work or children in danger.

The Saints Home Church of God in Christ Child Care Center in South East Los Angeles is struggling to keep its doors open because of their concern for the number of children in their neighborhood otherwise alone in tenement apartments or roaming the streets. A recent assault on a little girl on their block intensified Director Faye Thompson's determination to somehow stay in operation. This may not be possible. Parents desperately searching for new jobs leave children now and pay later. Cuts in rates and the elimination of tiering combined with parents in financial straits have already forced them to cut hours and reduce meal quality. Fewer hours and fewer meals served means "that when children leave in the afternoon, they stop at the garbage cans on the way out, looking for more food."

ALEXIA GUNTHER BOWLEY,
Child Nutrition Specialist, Hunger Organizing Team.

FORT PIERCE, FLA.,
February 19, 1982.

Hon. ROBERT DOLE,
Chairman, Senate Agriculture Subcommittee,
Washington, D.C.

DEAR SIR: This letter comes to express concern about the new budget cut for the Child Care Food Program.

You just can't imagine what this cut back will do to the mental, physical state of the many boys and girls enrolled in this program. Many of the children would not have a meal at all during the day if it were not for the nutritional meals they receive in our program at the Goodwill Presbyterian Church Pre-School.

Teachers as well as parents have expressed that the children enrolled in the program are more ready to learn and remain stable through the learning process.

Whatever you can do to help save the CCFP Program will be appreciated and this will also help the children here and across this nation to survive.

Thank you very much for your consideration in this matter.

Sincerely,

MRS. IDA MORGAN,
Pre-School Directress.

FORT PIERCE, FLA.,
February 19, 1982.

Hon. ROBERT DOLE,
Chairperson.

Hon. PAULA HAWKINS,
Member of Subcommittee.

I am greatly concerned about the proposed budget cuts in the Child Care Foods Program. Most of the children enrolled in these programs are from low income families and depend on the CCFP to receive the daily required Vitamins that they need to remain healthy. So to cut the budget would cut these most needed vitamins and nutritional needs of these children. Before making these cuts please consider our future adult leaders.

Respectfully,

MRS. FRAN POWELL.

FORT PIERCE, FLA.,
February 19, 1982.

DEAR MR. DOLE: I understand that the food budget will be cut again. I truly believe that this decision is a mistake, because the children will be hurt tremendously. Some children are not getting the proper foods at home and another budget cut might prohibit the children from getting a well balanced diet at school. Please reconsider the needs of the poor and needy children.

Thank you,

MRS. LOUISE HOUSTON.

FORT PIERCE, FLA.,
February 19, 1982.

DEAR SIR: The food program at St. John U.M.C Day Care Center has been a blessing for me as well as my children. I don't have to worry about sending packed lunches and the food served is very nutritious. To take away this blessing would not only cripple my children but other children as well.

Thank you,

MRS. PATRICIA PARRIS.

FORT PIERCE, FLA.,
February 19, 1982.

DEAR SIR: The St. John Day Care Center have a very nice food program. The food program is very nutritious and the meals are very well-balance.

My child is on the food program and she seems to eat much better since she been on the CCFP. I think if the program is cut, a lot of children that are getting a well balance meal on the program, might not be able to get the nutrition that they need at home.

Thank you,

MRS. PAMELA STRONG.

FORT PIERCE, FLA.,
February 18, 1982.

To Whom It May Concern:

I, Beryl C. Mosely, feel that the Child Care Food Program is very much needed at St. John U.M.C. Day Care Center. The CCFP provides nutritious meals to the children enrolled at the center regardless of race, color, or creed. My 3 year old is enrolled here.

BERYL C. MOSELY,
Parent.

VERO BEACH, FLA.,
February 18, 1982.

Mr. ROBERT DOLE.
Mrs. PAULA HAWKINS.

It is my deepest concern about the benefit and economic welfare of our children. I feel that added cut backs on the food budget will result in a lower nutritional standard, and can be an inconvience to many parents if they have to prepare pack lunches for their children. It also can be a failure in planning nutritional by some parents, due to the lack of knowledge and the know how.

Respectfully yours,

MARIAN BROWN.

FEBRUARY 18, 1982.

DEAR MRS. HAWKINS AND MR. DOLE: I'm very concern about the food cut-back we, the school system are about to receive.

The reason for this great concern, if the cut-back is approve, the children will not have the proper nutrition they are require to have.

There are four food groups, if each child receive an half-of-spoon of each food groups, that is not enough, and the teacher are still not counted. Please take this into a great deal of consideration, for the sake of the childrens.

Thank you,

CYNTHIA J. MARTIN.

FORT PIERCE, FLA.,
February 19, 1982.

DEAR MR. DOLE AND MS. HAWKINS: I understand the food budget is in the process of being cut again. Please don't. I feel that if it is cut, the children will not get enough food to eat. Some children depend on the food at school and if it is cut many children will go hungry

Thank you in advance,

MRS. LOUISE ROBINSON.

FORT PIERCE, FLA.,
February 19, 1982.

DEAR MR. DOLE AND MRS. HAWKINS: I believe that the budget cut is not a good idea. The budget has been cut too much now. Many children are already suffering from the budget cut. Please think of the poor children.

Thank you,

MRS. CAROLYN W. M. JOHNSON.

FORT PIERCE, FLA.,
February 19, 1982.

ROBERT DOLE,
Chairperson.

PAULA HAWKINS,
Member of the Subcommittee.

I am the cook at Ft. Pierce Development Center. I am very concerned about the Child Care Food Service Program. 90 percent of the children in this center come from low income families and single parent homes.

I feel that any further cuts would greatly deprive the needy children of this area from receiving nutrition necessary for proper growth and development.

Any consideration given this matter would be greatly appreciated.

Respectfully yours,

ROSETTA JOHNSON.

FEBRUARY 19, 1982.

Hon. Senators Robert Dole and PAULA HAWKINS.

Our center can't stand another cut back situation. The center as a whole can't function for reasons: One, because most of the children here at the center depend on the food we serve them. Two, they can't get the balanced diet they should get at home that we give them at the center. The program itself was set up for the children who need it, and for the ones that can't afford it.

Yours truly,

FLORA R. PEEPLES.

FORT PIERCE,
February 19, 1982.

Senator ROBERT DOLE,
Chairperson.

Senator PAULA HAWKINS,
Member of Subcommittee.

The news of further cuts in the food program for Child Care Centers is quite disturbing. As a parent and concerned citizen of this community, I urge you to please reconsider these cuts.

Some of the children in this area depend on this program for survival and further cuts would be detrimental to their health.

Thank you for any consideration given this matter.

Respectfully yours,

CATHERINE GLESTER.

FORT PIERCE, FLA.,
February 19, 1982.

Senator ROBERT DOLE,
Chairperson.

Senator PAULA HAWKINS,
Member of Subcommittee.

This letter comes as a reminder that the Food Program at the Fort Pierce Child Development Center is at this point almost nil. To cut back further on this program at this time would be devastating.

A large number of parents of children at this center have indicated that without the three meals their children receive here daily, they would not have proper nutrition. Therefore, as a concerned person I am asking your cooperation in helping to keep such programs as these funded.

Our children need and I am sure you know that many children are undernourished because of poor eating habits.

Thanks for your cooperation in helping to keep such programs as these functioning.

Respectfully,

MRS. SARA R. FLETCHER, Retired.

FORT PIERCE, FLA.

Robert Dole,
Chairman.

PAULA HAWKINS,
Member of Subcommittee.

DEAR MR. DOLE: I work at the Ft. Pierce Child Development Center, Ft. Pierce, Florida. I am concerned about the proposed budget cut for the Food Program.

In this area, most of the families we serve are in the low income brackets. These cuts would greatly deprive these needy children of the necessary nutrition for proper growth.

Sincerely,

KATHERINE MOBLEY.

IOWA DEPARTMENT OF SOCIAL SERVICES,
Des Moines, Iowa, March 10, 1982.

Hon. JESSE HELMS,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR HELMS: I want to thank you for the opportunity to testify before the Committee on Agriculture, Nutrition, and Forestry.

I reviewed the transcript and would like to clarify two areas of the oral testimony:

1. Error rates. Iowa's most recent error rates are as follows:

Food Stamps 9.52%, ADC 3.8%, and 6.8% for Medical Assistance.

2. Source of error rates for food stamps. In response to a question, "Do you have any ideal why the food stamp error rate is so far in excess of the other two? (ADC and Medical Assistance)", I had theorized that zip codes and the fact that states did not participate in the program cost could be a source of error.

My staff have asked me to amend my theory in light of the fact that zip codes are not quality control errors but rather a factor in mail issuance.

Direct staff seldom know the source of program funding, and therefore, are not more careful in ADC or Medical Assistance because state dollars are involved. Staff do concur that the food stamp program is decidedly more complex in terms of eligibility requirements and benefit levels. It is this complexity which almost assures a high error rate in the food stamp program.

Thank you for the opportunity to review and clarify my testimony. I am looking forward to the opportunity to continue our discussions.

Best regards.

Sincerely,

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR JESSE HELMS TO DR. MICHAEL V. REAGEN

1. During the hearings, you seemed to express general support for the work of the Food Stamp Interregulatory Review Task Force. I have introduced legislation which addresses a number of the legislative recommendations made by the Task Force. I would like to get your reaction to the following:

Defining households as any individual or groups of individuals who live together and purchase food and prepare meals for home consumption. Elderly and disabled parents would continue to be permitted to apply as separate households. States would be granted the option of establishing criteria for individuals who live together to demostrate that they do not purchase food or prepare meals together.

Requiring a second parent in a house hold to register for work when the youngest child reaches age 6. (Currently the second parent is not required to register until the child reaches age 18, although a first parent in the home must register for work when the youngest child reaches age 6.)

Providing that *all* income and assets of ineligible aliens are counted in the household's eligibility and benefit determination rather than only a pro rata share, as at present.

2. A number of State and local officials have indicated a desire for greater flexibility in the food stamp program and a reduction in regulation. What would be your reaction to the following:

Permitting, rather than requiring, joint application processing for those food stamp applicants also seeking AFDC, SSI or public assistance.

Eliminating the "points and hours" regulations regarding locations and operating hours of certification and issuance offices?

Making bilingual personnel and material optional at the discretion of the State?

Eliminating the Agriculture Department's requirement that States submit all printed material for approval before use by the State?

3. As you may know, a part of the testimony both in Subcommittee on February 22 and subsequently at full committee hearings on March 29 has centered on the subject of expedited services. What percent of Iowa's initial cases are processed under expedited services? What percent of Iowa's initial cases are processed under expedited service provisions? What is the normal time span for completion of other food stamp applications? Some States have suggested that all processing could be improved were there less expedited cases. What would be the administrative impact of eliminating required expedited cases?

4. Concerns have repeatedly been expressed about certain food stamp recipients who own a considerable amount of land—usually farm land—adjacent to their houses. What would be your reaction to counting the value of land above 10 acres in rural areas as an asset for purposes of determining food stamp eligibility?

5. I understand that Iowa is one of the States which has provisions to impose a lien in order to recover, or partially recover, benefits issued to an individual. Inasmuch as I believe a lien system may have some potential application for the food stamp program, I would ask you to outline the provisions and the procedures of the Iowa lien system.

IOWA DEPARTMENT OF SOCIAL SERVICES,
Des Moines, Iowa, June 7, 1982.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry, Washington, D.C.

DEAR SENATOR HELMS: I am writing in response to your letter of May 3, 1982, asking some questions as a follow-up to the February 22, 1982, Nutrition Subcommittee hearings.

Item 1—As you now, we support Senator Dole's bill, which was co-sponsored by Senator Jepsen. The first two issues are addressed in the Dole bill and we support that proposal in these areas.

The third issue is not a large concern in the State of Iowa.

Item 2—We support providing states with administrative flexibility to administer the food stamp program and we would support all four issues you have proposed.

Item 3—Approximately 6 to 8 percent of our caseload is processed under expedited service provisions. The majority of our caseload is processed within 5 to 7 days and all cases are processed within 30 days. If expedited provisions were eliminated, Iowa would probably use a combined income and asset test of $200 and continue to process all cases as rapidly as possible. This elimination would also enable us to use direct mail issuance for expedited cases which would result in considerable administrative savings.

Item 4—We would support this proposal to limit the amount of land exempt from food stamp resources in a rural area providing that land which is producing income consistent with its fair income-producing value remains exempt.

Item 5—We do not clearly understand this question. Iowa does not have an automatic lien system. We can get a judgment in a court of record which becomes a lien on real estate or a garnishment against non-exempt property.

We also have the right of subrogation (Code of Iowa, 249.A.6) in the Medicaid program. This gives us the right of repayment from a third party once money has been paid out by the Department.

If you have specific questions on this issue, please contact us.

Thank you for the opportunity for expressing our views in the area of food stamp policy development.

Sincerely,

MICHAEL V. REAGEN, Ph. D.,
Commissioner.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., June 15, 1982.

MS. DENISE ALEXANDER,
Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, D.C.

DEAR MS. ALEXANDER: Pursuant to Senator Helms' request, the enclosed information is provided in response to questions raised by Senator Leahy. I understand that this information will be included in the record of the Senate Nutrition Subcommittee hearing conducted on February 22 by Senator Dole.

Please contact me should you require any additional information.

Sincerely,

JOHN W. BODE,
Deputy Assistant Secretary, Food and Consumer Services.

Enclosure.

Question 1. According to both USDA and CBO statistics, the Administration's proposed food stamp reductions would result in a massive reduction in benefits across-the-board. How do you justify such deep reductions? Do you really believe that 87 percent of all elderly households can afford to lose an average of $16 a month in benefits?

Answer 1. The Department has carefully analyzed the potential impact of its proposals. The majority of savings from the proposed legislation is expected to result from better identification of those who are truly needy. The proposals have two facets. They should provide appropriate benefits in accordance with need, and they should reduce benefits for some households in proportion to levels of income. The proposals are structured so that those with smaller incomes lose a smaller proportion of total benefits than those with larger incomes. This can best be illustrated by looking at the poverty status of participants.

The proposals have a larger impact on households with income above the poverty line than below the poverty line. Forty-five percent of those with incomes above the poverty line will maintain eligibility. For those with incomes which are less than 50 percent of the poverty line, the majority will be unaffected. Altogether, nine out of 10 households in this low income group will lose less than $10 a month. The total value of food stamp benefits for households below the poverty line will be reduced by only 11 percent while the benefits of those above the poverty line will be reduced over 65 percent.

There is a difference in the impact of the proposals by household type. Over three-quarters of all households with elderly members will maintain program eligibility.

Further, the special provisions to protect the elderly are unchanged by the Administration's proposals, i.e. the net income eligibility limit, the special medical deduction, the unlimited shelter deduction and the higher asset limit.

In sum, the Department believes its proposals will protect those with the greatest need while slowing the rate of program growth.

Question 2. The Administration claims that over $600 million in administrative savings will occur in the Food Stamp Program in fiscal year 1983 from a reduction in error rates. In order to achieve this amount of savings, States would have to lower their error rates from the current average of about 10 percent to 3 percent by October 1, 1982.

Could they do this? Also, how do you expect States to achieve lower error rates in fiscal year 1983 and future years when you are proposing a 5 percent reduction in their funding for administrative costs?

Answer 2. We believe that most, if not all, States could achieve the 3 percent overpayment error rate in fiscal year 1983.

We expect errors to be reduced through program simplification and information quality improvement. The Department has initiated plans for a demonstration of simplified application processing requirements for AFDC, SSI, and Medicaid households, and has continued to coordinate plans with the Department of Health and Human Sevices for joint application processing and implementation of monthly reporting and retrospective accounting systems. Initiatives have also been taken to introduce monthly reporting for all households along with retrospective accounting and wage-matching techniques. In addition, the Department's task force for Regulatory Relief formulated over 100 recommendations aimed at simplifying program administration and increasing State flexibility, which will be beneficial to administering agencies as they are put into effect.

Question 3. The Administration proposes to eliminate the 18 percent deduction for work related expenses. This means that if one family earns $400 a month and a neighboring family receives $400 a month in welfare, they would qualify for the same amount of food stamps, despite the fact that the working family will incur $75-$80 a month in work-related expenses. Is this fair to working families? Aren't you creating a major work disincentive?

Answer 3. The elimination of the 18 percent deduction for work related expenses will be moderated by tightening of other eligibility standards such as disqualification for voluntarily quitting a job, workfare in areas which choose that option, enactment of the Administration's proposals to impose job search requirements on applicants and participants and requirement of participation in the Community Work Experience Program by AFDC recipients, many of whom also receive food stamps.

While the elimination of the earned income deduction may remove one of the work incentives built into the Food Stamp Program, there are sufficient incentives remaining in the Program to support continued work effort on the part of the food stamp participants.

Question 4. When Congress created the energy assistance program a few years ago, it was fully aware that many potential participants also would receive food stamps. This issue was discussed then and at least two separate authorizing committees in the Senate explicitly excluded energy assistance from being counted against food stamps. Funding levels for energy assistance were set to reflect the fact that food stamps are available. What change has occurred since then that should convince Congress to change its mind?

Answer 4. The Administration intends to interrelate the full range of Federal assistance programs to insure that benefits are targeted to the truly needy. Toward this end, Food Stamp allotments should reflect other sources of assistance and income. A wide range of other social assistance and pension program benefits (such as AFDC, SSI, Social Security, general assistance, veteran's programs, and unemployment insurance) have been counted as income in determining food stamp benefits. The exclusion of Federal and certain State and local seasonal energy assistance from the Food Stamp Program's definition of income, however, has meant that a substantial portion of cash income available to households has gone uncounted. But, just as for the other programs, the receipt of energy assistance frees a portion of the household's resources for other uses, including food purchases.

There is an explicit expectation in the structure of the Food Stamp Program that a household should contribute some portion of its income to its food needs. With this expectation, it is important to count all forms of income available to the household. Otherwise, households in apparently similar financial circumstances, except for the source of income, will be treated differently. The Administration's proposal will eliminate this inequity.

Question 5. Will the Administration proposal to include WIC in the maternal and child health block grant include a requirement that States provide matching funds?

Answer 5. This legislation has been submitted to Congress by the Department of Health and Human Services, not the Department of Agriculture. It is our understanding that the proposed legislation would not require that States match Federal dollars in order to receive funding. However, it appears that the legislation would require that States assure the Department of Health and Human Services that Federal funds would supplement, not supplant, State funds.

Question 6. The Administration proposal entails a 37 percent cut in the WIC Program. Even is States choose to spend all of the WIC money added to the block grant for nutritional assistance, there would be a huge drop in services to low income women, infants and children. How do you justify such a cutback given the relatively high infant mortality rate in the United States compared to other industrialized nations? WIC's success has been disputed by virtually no one. Can you assure us that the block grant would result in equal or better utilization of Federal dollars?

Answer 6. The proposal to merge WIC, the Commodity Supplemental Food Program and the Maternal and Child Health Services Block Grant would provide $1 billion in fiscal year 1983 for programs with 1982 Federal appropriations of $1.2816 billion. The $281.6 million savings is roughly equivalent to a 22 percent reduction in total Federal expenses. States would have discretion concerning which services to provide with their block grant funding and how to achieve efficiencies in administration.

Studies indicate that nutritional supplementation to pregnant women has helped improve infant mortality and morbidity rates for persons who participate in the WIC program. However, about half the current caseload of the WIC program are children. Under the Administration proposal, State health departments would be able to target services as they deem appropriate for their population. We believe that State governments will be committed to obtaining maximum effectiveness in program administration because of their strong concern for the health status of their populations.

Question 7. The Administration would combine school breakfast and the Child Care Food Program in a block grant. Since they are generally under the supervision of separate State agencies, what is the rationale for grouping them together? What do you estimate to be a realistic time frame for States to implement such a block grant?

Answer 7. Although more than one State agency may administer programs under the grant, there are only five States that have separate State agencies administering the Child Care Food Program.

There are some differences between the school breakfast and the Child Care Food Program, however, they are basically feeding programs for children. The eligibility of an individual child for either program can be determined by the same income and eligibility standards set by the State.

Depending on the strategies chosen to expend the funds, the implementation time will differ among the States. In general, we expect that this can be accomplished with a minimum of burden on the States. However, at this time, we cannot predict how long each State will take to implement the grant.

Question 8. The Administration proposes elimination of the Special Milk Program. Since this program is now limited to schools without a lunch program, what is the rationale for this cut? Since the children in these schools, and particularly the poor children, do not receive any lunch assistance, should we also deprive them of milk?

Answer 8. We are proposing the elimination of the Special Milk Program for several reasons: (a) 94 percent of the children served by the program are non-needy. These children are from families whose income exceeds 130 percent of OMB's nonfarm income poverty guideline for their family size. (b) The original goal of the Special Milk Program was to support dairy prices. This has long since been superseded by the large milk subsidies in other Federal meal programs, and the funds now spent on the Special Milk Program have a negligible effect on milk consumption in the U.S. (c) With the availability of other nutrition assistance programs, such as the Food Stamp Program, which was not a national program when the Special Milk Program began, the Special Milk Program is duplicative. However, schools will not be totally excluded from having a milk program for their students. If a State decides that the Special Milk Program is needed, it can fund it through the proposed General Nutrition Assistance grant. The categorical grant for General Nutrition Assistance refers the administration of certain child nutrition.

Question 9. The Administration would eliminate the summer feeding program. Last year Congress eliminated the parts of this program where there were problems of fraud and abuse. Are there any documented problems of fraud and abuse in the remaining program? Free school lunches were part of the President's safety net last year. Isn't the summer equivalent of the free school lunch just as important to these poor children?

Answer 9. We envision that the changes mandated by P. L. 97-35 will result in significant improvements in the Summer Food Service Program (SFSP). However, it is too early to determine the extent of the reduction in improprieties because actual operations will not begin until June. We will be closely monitoring Program operations this summer.

Under the structure of the SFSP, there is no way to determine whether all the children who participate are truly needy. Once sponsors document that the geographic area they intend to serve in needy, all children residing there may participate in the SFSP. In view of the crucial necessity to reduce Federal expenditures, the Department believes that the SFSP can be eliminated and the truly needy who participate in the SFSP can receive benefits under the Food Stamp Program.

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